2019

Annual Report

SICOM
GENERAL INSURANCE
A member of the SICOM Group

About this report

In preparing this report, we have been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS) and the National Code of Corporate Governance. Contents included in this report are what we believe are material and relevant to our stakeholders and have been conveyed in a concise and consistent manner.

The annual report is published in full on our Group's website: **www.sicomgroup.mu**

Contents

OUR MISSION, SHARED VALUES AND OBJECTIVES

CORE VALUES

OUR MISSION

Dedicated to providing the best in insurance and financial services, with focus on competitive quality products and excellent levels of customer care

OUR SHARED VALUES

Our Customers: The focus of all our actions
Our Employees: The source of our success
Our Products and Services: Competitive and first-class security
Commitment to innovation and teamwork
Assisting the development of the community

OUR OBJECTIVES

Provide excellent customer service
Maximise profits and returns to stakeholders
Highly effective staff and agents
Increase market share
Respond to new customer needs
Identify diversification opportunities

QUALITY POLICY

Service Excellence

We are committed to service excellence through providing a professional and timely service to our customers while maintaining value-adding relationship with all stakeholders.

Meeting Customer Expectations

Our ultimate goal is to meet customer expectations with a diligent and efficient service.

People Development

Our people are our most valuable asset and we shall: provide them with appropriate training in line with organisational needs and objectives, aim at achieving employee satisfaction and encouraging their participation in decision making processes, and promote safe, sound and motivating work environment.

Continual Improvement

We are committed towards developing and maintaining efficient and reliable processes. We undertake to continually improve / innovate our products and services.

Competitive Products and Services

We will design and deliver competitive products and services to suit the requirements of our customers as well as the market at large.

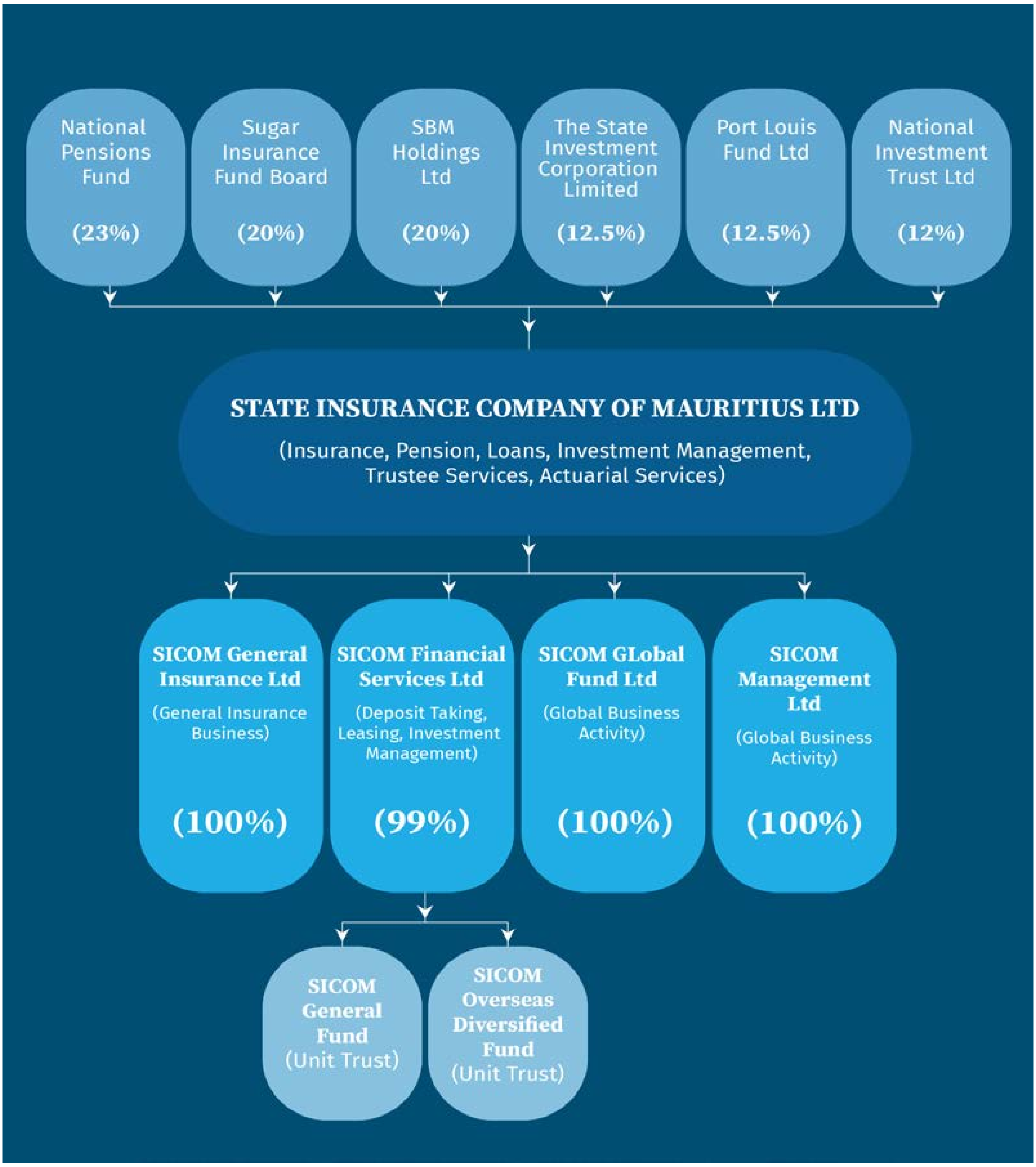
Compliance and Good Governance

We ensure compliance with relevant laws and regulations and are committed to good governance and effective practices.

Quality Objectives

This Quality Policy will serve as basis for defining SICOM's Quality Objectives and we will ensure that it is reviewed on a regular basis.

GROUP STRUCTURE & SHAREHOLDING



OUR BUSINESS LINES & MAIN OFFERINGS

PERSONAL

SICOM DRIVESMART
SICOM HOMEASY
SICOM HOMESSENTIAL
SICOM TRAVELEASY
SICOM PERSONAL ACCIDENT
SICOM MYCARE

MOTOR

PRIVATE & COMMERCIAL

COMMERCIAL

PROPERTY INSURANCE
BUSINESS INTERRUPTION
MARINE & AVIATION
LIABILITY
GROUP PERSONAL ACCIDENT
INFIDELITY OF EMPLOYEES
LOSS OF MONEY

MEDICAL

OUTPATIENT & INPATIENT
CATASTROPHE COVER

ENGINEERING

CONSTRUCTION & ERECTION RISKS
PLANT & EQUIPMENT
MACHINERY BREAKDOWN
BUSINESS INTERRUPTION

SPECIAL RISKS

KIDNAP & RANSOM
CYBER
SABOTAGE & TERRORISM

HOW TO REACH US?

Our Head office is at Port Louis (SICOM Building, Sir Célicourt Antelme Street, Port Louis) and we have a branch office at Ebène (SICOM Tower, Wall Street, Ebène). We are presently operating 7 PostAssurance Hubs in Post Offices at Quatre Bornes, Curepipe, Trianon, Triolet, Goodlands, Flacq and Grand Baie. A new PostAssurance hub or a branch office in the South is being considered.

Our products are also distributed by our salespersons, agents and our Bancassurance partners, namely SBM Bank (Mauritius) Ltd and MauBank Ltd, through their network of branch offices across Mauritius. We are also present in Port Mathurin Post Office, Rodrigues. Our products are also available through insurance brokers.

OUR CORPORATE INFORMATION

Registered Office	**SICOM General Insurance Ltd** SICOM Building Sir Célicourt Antelme Street, Port Louis, Mauritius Telephone: (230) 203 8400 Fax: (230) 203 8502 Email Address: sicomgin@sicom.intnet.mu Website: www.sicomgroup.mu
Auditors	ERNST & YOUNG
Consulting Actuaries	QED Actuaries and Consultants Mauritius AON Hewitt
Main Bankers	AfrAsia Bank Ltd Barclays Bank Mauritius Limited MauBank Ltd MCB Ltd SBI(Mauritius) Ltd SBM Bank (Mauritius) Ltd

BOARD OF DIRECTORS

SALEMOHAMED Muhammad Yoosuf

Muhammad Yoosuf Salemohamed started his career in a chartered accountants firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing Company as accountant in 1975 and ended his career there as General Manager. He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past Chairman of Enterprise Mauritius and past president of the MEFPA (now Business Mauritius Provident Association). He has also been a Director of the Development Bank of Mauritius Ltd and an adviser to the Ministry of Commerce and Industry. He is presently a Board member of Air Mauritius Limited and a Board member of the Islamic Cultural Centre Trust Fund Board.

CHAPERON J M C Gilles

Associate of the Chartered Insurance Institute
Chartered Insurer

Gilles Chaperon joined SICOM as a Technical Officer in 1981 and served in the Life and Pensions Department in various positions at management level and was later promoted to Senior Manager (Legal and Compliance). He held the position of Chief Support Officer responsible for the Group's Corporate Marketing, Communication, CSR and Compliance functions. He was also the Money Laundering Reporting Officer (MLRO) of the Group and was overseeing the Group's Risk Management and IT functions. Since 1 October 2017, he is the Acting Group Chief Executive Officer.

BALLAH Rikesh Hans

BSc (Hons) Accounting and Finance, University of Birmingham (UK)
Fellow of the Association of Chartered Certified Accountants (UK)

Rikesh Ballah has acquired professional experience with Big 4 accountancy firms in Cyprus, Ireland and Luxembourg as well as in leading offshore management companies in both Luxembourg and Mauritius. He is currently the Chairman of RIHABA Group and also serves as a Director on the Board of several companies. He is also the Honorary Consulate of the Republic of Moldova in the Republic of Mauritius.

BALLUCK Awadhkoomarsing

Diploma in Human Resource Management, University of Mauritius

Awadhkoomarsing Balluck had a long career in the public service and has served at different levels in the Ministry of Labour, Industrial Relations and Employment prior to being the Registrar of Associations. He was also a former Customs and Excise Officer in the Customs and Excise Department. From 1995 to 2012, Awadhkoomarsing Balluck has been successively a Board Member, Vice-Chairman and Chairman of the Board of Directors as well as the Chairman of the Building Committee and has been throughout, a member of the Finance Committee at the Mauritius Civil Service Mutual Aid Association Ltd. He is also in the co-operative sector (credit union) as President of a co-operative society for more than 30 years.

BHOOJEDHUR-OBEEGADOO Karuna G

Fellow of the Institute of Actuaries, UK
Fellow of the Mauritius Institute of Directors
BSc (Hons) in Actuarial Science, London School of Economics and Political Science

Karuna Bhoojedhur-Obeegadoo was the Group Chief Executive Officer heading the SICOM Group of Companies until her retirement in September 2017. She has also worked with M&G Reinsurance Company in London (now Swiss Re) prior to joining SICOM and was appointed Actuarial Adviser to the National Pensions Fund and member of its Investment Committee. In the past, she has served as Director on the board of several companies, including State Bank of Mauritius Ltd, National Mutual Fund Ltd, First Republic Fund Ltd, Cyber Properties Investment Ltd, Mauritius Housing Company Ltd, National Housing Development Company Ltd, China Index Fund Ltd and China Actis Ltd. She was also a Founding Member of the National Committee on Corporate Governance and of the Board of Investment. She is currently a Director on the Board of companies within the SICOM Group and is also a member of the Board of the MCB Group Ltd and of its Remuneration and Corporate Governance Committee.

BOODHOO Balchund

Master in Business Administration, UK

Balchund Boodhoo has over 25 years of experience in the management and marketing business. He has extensive experience in Sales and Insurance and also has excellent communications and leadership skills. He has worked as a freelance Consultant and Trainer/Advisor for companies in the security service field. Balchund Boodhoo is currently a freelance Management Consultant and Security Advisor hiring his service to SMEs and private security companies.

DUSSOYE Chandrek

Affiliate of Association of Chartered Certified Accountants
BSc (Hons) Business Management, University of Mauritius

Chandrek (Nitin) Dussoye has been working in the financial sector since 2000 as Business and Financial Consultant and Financial Analyst. He also has extensive exposure to private equity financing. He currently works as Investment Executive at the State Investment Corporation Limited where he is involved in portfolio and investment management. He has been involved in the implementation of several live projects in a fast-paced investment environment and gathered experience across several economic sectors. He is also a Director of some companies within the SIC Group.

KOONJOO Vinod Kumar

B.Sc (Hons) Chemistry, Delhi University

Vinod Kumar Koonjoo has a long career in the private and parastatal sectors. He started his career as a teacher in 1982. He has also worked at the MITD and in 1994, he had introduced the National Dual System of Apprenticeship Training which is an important part of the training sector till date. In 2002, he joined the National Handicraft Promotion Agency where he promoted the local handicraft products in Europe. Vinod Koonjoo has also set up a unit for Chemtech Ltd (Medical and Signage products) in Madagascar from 2008 to 2011. In 2011 he joined the Harel Mallac Group as the Regional Sales Manager in Tanzania and was responsible for the marketing and sale of industrial chemicals in the East African Countries. He is presently the CSR Executive at Compagnie de Mont Choisy Limitée.

LEUNG LAM HING Suzanne H Y K

Chartered Insurer
Associate of the Chartered Insurance Institute UK (ACII)

Since joining SICOM, Suzanne Leung Lam Hing has served the Company in various capacities in both the General and Life Insurance Departments. In 2002, she was appointed Manager of the General Insurance Business. Following the setting up of SICOM General Insurance Ltd in 2010, Suzanne Leung Lam Hing is responsible for the overall strategic and operational functions of the business. She currently serves as Executive Director on the Board of SICOM General Insurance Ltd. In 2013, she was appointed Chief Operating Officer. She serves on the Council of the Insurance Institute of Mauritius of which she has been a past President.

LEE SHING PO Theresa M.

Company secretary
Attorney-at-Law

Theresa Lee Shing Po was admitted as Attorney–at-Law in 1986. She had her private practice and also worked in an international accounting and auditing firm, and at the Attorney General's Office. She joined SICOM in 2000 as Legal Officer. She currently serves as the Senior Executive Officer – Legal, responsible for the overall operational and strategic functions of the Legal Department and deals with and advises the Group in all legal matters. Theresa Lee Shing Po also acts as Company Secretary to the State Insurance Company of Mauritius Ltd, SICOM General Insurance Ltd, SICOM Financial Services Ltd and SICOM Foundation.

MANAGEMENT TEAM

LEUNG LAM HING Suzanne H Y K
Chief Operating Officer, SICOM General Insurance Ltd

The profile of Leung Lam Hing Suzanne HYK can be found on page 11.

ANCHARAZ Surendranath (Kiran)
Manager - General Insurance

Holder of an Executive MBA & Degree in Economics, Delhi University, India

Kiran Ancharaz joined the Company in January 2019 after gaining more than 19 years of experience in the insurance sector. He has sound knowledge of General Insurance products, underwriting, claims, marketing and has experience of leading most forms of distribution for an insurance Company and driving top line growth and profitability. He is currently the Manager General Insurance and is responsible for the organisation and management of the overall General Insurance Business operations of the Company.

CHOOLUN Irshad
Deputy Manager, Head Casualty

Chartered Insurance Practitioner (UK)
Associate of the Chartered Insurance Institute (UK)
Bachelor's Degree in Actuarial Science, University of Cape Town (RSA)

Irshad Choolun joined SICOM in 2018 after having worked for leading insurance groups in Mauritius and Sub Saharan Africa. He is currently the Deputy Manager - Head Casualty at SICOM General Insurance Ltd and is responsible for the administration and development of the Accident and Health, Liability, Miscellaneous and Specialist classes of business.

MOTI Ashley Kumar
Deputy Manager, Head Motor

During his 37 years dedicated to SICOM Group, Ashley Moti has occupied several posts at supervisory, technical and managerial positions. He has managed the SICOM Customer Care and Marketing Departments for over 8 years handling Life, Personal Pensions, Property, Motor along with Investment products. He is currently in charge of the Motor Department.

SOOKENRAM Ashvin
Deputy Manager, Head Property & Engineering

Bachelor of Arts in Economics with Honours Degree from University of Delhi
MSc in Insurance and Risk Management from City University Business School, London

With nearly 20 years' experience in the Insurance Industry, Ashvin Sookenram started his career as a Reinsurance Broker for a leading South African Firm based in Mauritius, before joining SICOM in 2002. As Deputy Manager/Head in General Insurances from 2003 onwards, he has assumed several responsibilities. He has been instrumental in shaping the Financial Risks Portfolio and has developed collaborative working relationships within the local market. He is currently in charge of the Property and Engineering Department.

DIRECTORS' REPORT

The Board of Directors of the SICOM General Insurance Ltd (the "Company" or "SGIN") is pleased to present the ninth Annual Report together with the audited financial statements of the Company for the year ended 30 June 2019.

Economic review

According to Statistics Mauritius, the domestic economy grew at a rate of 3.8% in 2018, same as in 2017. Growth in 2018 was supported by robust performances of all major sectors of the Mauritian economy, in particular financial and insurance activities, wholesale & retail trade, construction and accommodation and food service activities. Savings rate for 2018 is estimated to be around 9.0% of GDP, while the investment rate rose to 18.7%, supported by increased levels of both private and public sector investments. The headline inflation rate was 1.0% for the twelve months ended 30 June 2019 compared to 4.3% for the corresponding period last year. During the financial year ended 30 June 2019, there was an appreciation of the USD and YEN compared to the MUR while the local currency appreciated against the EUR, GBP, AUD and ZAR. The SEMDEX, SEM-10 and the DEMEX retracted by 5.2%, 2.9% and 4.8% respectively over the financial year ended 30 June 2019.

Statistics Mauritius expects real GDP growth of 3.9% in 2019, based on the information gathered on key sectors of the economy and considering policy measures announced in the budget 2019/2020. In fact, higher growth rates are expected from sectors such as agriculture, forestry and fishing, manufacturing and public administration and defence, while industries such as construction, wholesale & retail trade and financial and insurance activities are projected to post lower growth rates. Both the investment and the saving rates are expected to increase in 2019 to reach 19.3% and 9.5% respectively. Private sector investment is predicted to grow by 0.1% in 2019 compared to the 10.4% growth seen in 2018, while public sector investment is anticipated to expand by 26.7% after posting a growth of 12.7% in 2018.

Market Overview

The General Insurance market consists of 15 insurance companies and in 2018, had an overall Gross Premium of slightly more than Rs 9.0 billion. The General Insurance sector has been growing at an average rate of 6.5% annually over the past 3 years with growth being mainly in Motor Insurance and Medical Insurance lines.

At the start of the Financial Year 2018/2019, the market continued to be highly competitive, with every player competing for growth in their respective topline. The fact that reinsurance capacity was still easily available contributed to driving premiums down, thus making profitability more challenging to achieve. However, by the 3rd Quarter of 2018/2019, some signs of reinsurance market hardening became apparent in some classes of insurance, especially in the Property class. It is believed that this is mainly due to the occurrence of large natural catastrophe losses internationally which has taken a toll on the reinsurance market. The reinsurance market hardening has started having an effect on premium in some classes of insurance, through lessening of the downwards pressure on premium rates which has been the case so far.

Generally, the level of competition in the insurance market remains very fierce and thus, it is increasingly important that SGIN innovates on its products and carries out an in-depth review of its processes to enhance the customer experience. Customer-centricity will be at the forefront of the business focus for the foreseeable future.

Operations and Financial Performance

Profit Before Tax

Rs 59.7m

+ 52.0 %

Total Assets

Rs 1.7 bn

+ 7.0%

Gross Premiums Earned

Rs 968.6m

+ 24.4%

Claims paid

Number: 41,369
Amount: Rs 749.6m

The financial year 2018/2019 was positive for the Company in several respects, inasmuch as a milestone was reached when the Rs 1.0 Billion Gross Premium written mark was crossed and Pre-Tax Profit increased by 52% as compared to the previous financial year.

The Gross Premium earned during the 2018/2019 financial year reached an amount of Rs 968.6 Million, being an increase of 24.4 % on the amount of Rs 778.4 Million achieved for the preceding financial year. The increase was mainly due to significant premium amount increases recorded in the Motor, Transportation and Medical lines of business. On the claims side, the profitability of the Property class has been partly adversely impacted by Cyclones Gelena and Joaninha which affected Rodrigues in early 2019 and by a few natural catastrophes, namely lightning and flood. As regards Motor claims, SGIN has signed the Protocol on Usage of the Motor Recovery Portal set up by the Insurers' Association of Mauritius, which aims at facilitating the exchange of Motor claims and recovery documents between Insurers and reducing the delay in the Motor recovery process. The underwriting surplus for the financial year 2018/2019 increased by 18.4% from the previous financial year to reach Rs 191.9 Million.

During 2018/2019, increased business was partly attributable to the increased penetration into the SME and the Corporate sectors through a review of the distribution strategy to promote broker business. It is intended to pursue this strategy in view of the increased role of brokers in these sectors. We are continually evolving our product portfolio, enhancing our services and investing in technology to make our insurance solutions more comprehensive, simpler, and more convenient for our customers and business partners. Our product portfolio was enriched with two new offers to take into consideration the needs of customers, namely HomEssential which is a package of essential insurances for the homeowner, and PM3+, a bundle of insurance covers for SMEs. The

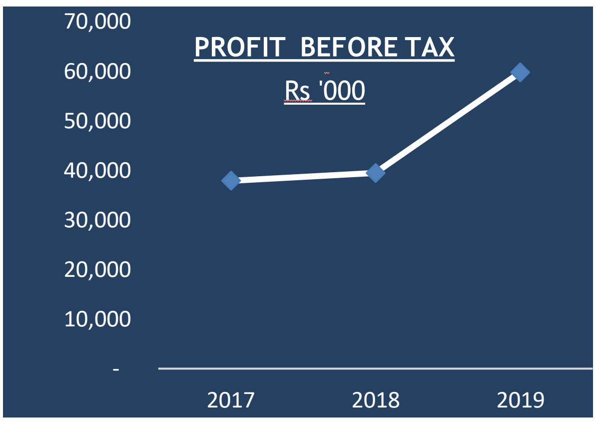
Company was also active in proposing Cyber Insurance to its corporate clients in response to heightened risks of loss through cyber-attacks. As regards special risks, SGIN has a strong history of working closely with businesses and professionals in covering specialist risks encountered by managers, directors and advisors in today's increasingly litigious environment. During the year we have strengthened our partnership with market operators and professional associations. As regards service enhancement, proposal forms have been simplified and customers may opt to receive their insurance documents electronically.

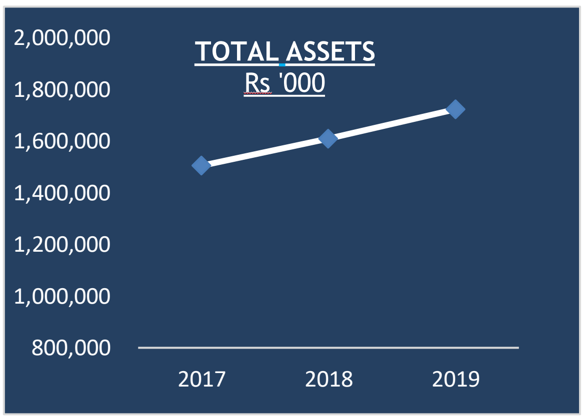
During the year under review, relationship with our Bancassurance partners as well as partners in other business sectors was strengthened through training sessions, regular meetings as well as the development of tailor-made packages. It is intended to extend the network of such partners so as to reach out to a larger customer base who could benefit from our products and services.

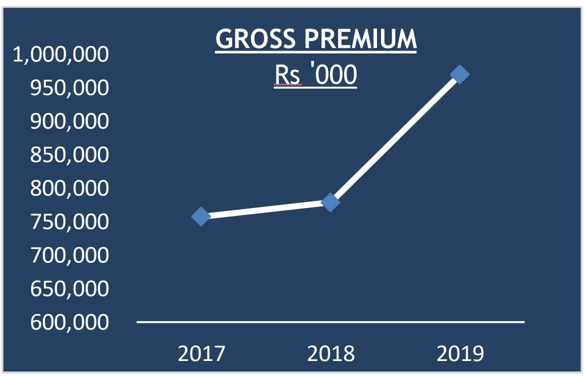
With Mauritius having emerged as the winner of the 10th "Jeux des Iles de l'Ocean Indien", it is relevant to mention that after a selection exercise, SGIN was appointed as "Assureur Officiel des 10ème Jeux des Iles de l'Océan Indien", having presented a comprehensive and ambitious insurance programme covering the risk exposures of this special event.

Major risk management tasks done during the year under review include the Risk Appetite Statement (RAS) and the Own Risk Solvency Assessment (ORSA) in the context of the Risk Management framework of the Company. Both exercises are reviewed quarterly and serve as monitoring tools and as the Risk Management framework matures, it is expected that the benefits of these tools will become more embedded in management functions.

The total assets of the Company excluding reinsurance assets reached an amount Rs 1.3 Billion at 30 June 2019. Investment and other income realised stood at Rs 48.0 Million compared to Rs 51.6 Million last year. An amount of Rs 59.7 Million was achieved as Pre-Tax Profit (2018: Rs 39.4 Million) while the Net Profit after tax amounted to Rs 49.3 Million (2018: Rs 34.4 Million).







Going forward

For the financial year 2019/2020, we expect the industry to be challenging not only in terms of pricing, but also as regards innovative products and services. It is increasingly important that we innovate to enhance the customer experience and re-invent alongside the SICOM Group, the way the Company is doing business. SGIN will pursue the implementation of the customer centric strategies of the SICOM Group, started during the last Quarter of the previous financial year, which include enhancement of customers' experience, improvement of operational efficiency, identification of opportunities for diversification in terms of products, channels and regional expansion and the use of innovative technologies to grow its revenue and profitability. The dedicated team of employees of the Company will play an instrumental role in the successful delivery of our customer-centric goals.

Other major projects for the financial year 2019/2020 include the implementation of the Government Medical Insurance Scheme for employees of the public sector, which will be a challenging task in view of its size and first-time status, the use of digital technology for a smarter, faster and more agile way of doing business, and review of the pricing models for identified products. The Company will also embark on a review of its organisation structure to address its needs in terms of new functions and competencies required to meet the challenges ahead.

CORPORATE GOVERNANCE REPORT

SICOM General Insurance Ltd (the 'Company') is a Public Interest Entity ('PIE') under the Financial Reporting Act 2004, and as such is required to comply with the National Code of Corporate Governance for Mauritius, 2016 (the 'Code').

The Corporate Governance Report describes how the Company has implemented the recommendations of the Code. The disclosures relating to the eight principles of the Code are in different sections of this Annual Report as per the table below:

Principles of the Code	Relevant sections of the Annual Report	Page
Principle 1: Governance Structure	About us Corporate Governance Report	12 17-20
Principle 2: The Structure of the Board and its Committees	About us Corporate Governance Report	9-11 21-23
Principle 3: Director Appointment Procedures	Corporate Governance Report	23
Principle 4 : Director Duties, Remuneration and Performance	Corporate Governance Report	24
Principle 5: Risk Governance and Internal Control	Corporate Governance Report	25-32
Principle 6: Reporting with Integrity	About this Report Corporate Governance Report	1 33
Principle 7: Audit	Corporate Governance Report	34-35
Principle 8: Relations with Shareholders and Other Key Stakeholders	Corporate Governance Report	36-38

Governance Structure

The Company is led and controlled by a unitary Board which is collectively responsible for its long-term success, reputation and governance.

The Board accepts full responsibility for meeting all legal and regulatory requirements and takes its fiduciary responsibilities with great care and diligence. The roles and responsibilities of the Board are set out in the Company's Board Charter.

The Board has approved the following key governance documents for the Company, which are available on the SICOM Group (the 'Group') website:

- Board Charter; and
- Risk and Audit Committee Charter.

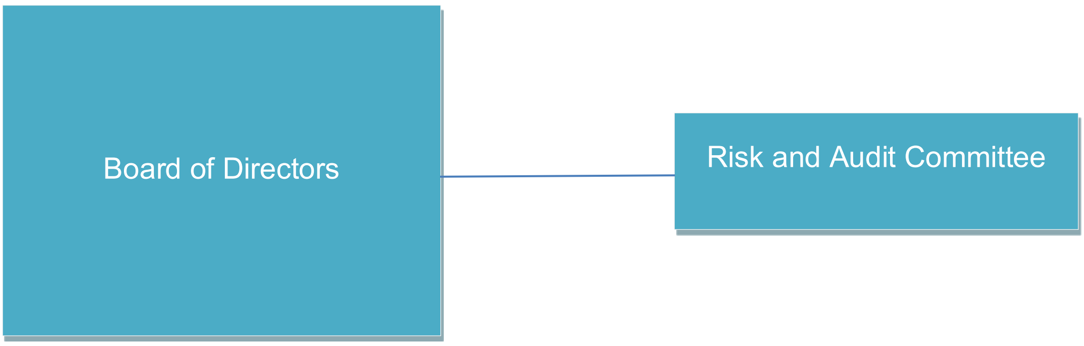
The Board of the Company has adopted the following which were approved by the Board of the Holding Company:

- Position Statement of Chairperson of the Board
- Position Statement of the Group Chief Executive Officer ('Group CEO') and Company Secretary
- Code of Ethics for Directors
- Code of Ethics for Employees
- Anti-Harassment and Non-Discriminatory Policy
- Whistleblowing Policy
- Remuneration Policy for Directors and Senior Executives
- Conflict of Interest and Related Party Transactions Policy

The Board has also approved the Position Statement of the Chairperson of the Risk and Audit Committee.

The Company has not adopted a Constitution and is governed by the Companies Act 2001.

Board Structure



Board Committees (refer to page 23) established under the Board of the Holding Company, the State Insurance Company of Mauritius Ltd also look at matters pertaining to the Company.

SICOM General Insurance Ltd has a Board of Directors which oversees the general business of the Company. The Board exercises leadership, enterprise, integrity and judgment in directing the Company. The delegation of authority to any Committee does not discharge the responsibility of the Board in respect of the actions and decisions of that Committee.

Key Governance Responsibilities and Accountabilities

The Board takes particular note of the following key governance positions which are critical to the Board performing against its strategy and achieving a high level of good governance.

1. Chairperson of the Board

The roles of the Chairperson and the Group Chief Executive Officer ('Group CEO') are distinct. The Chairperson is primarily responsible for the activities of the Board and its Committees. He acts as the spokesman for the Board and is the principal contact for the Group CEO. The Group CEO and the Chairperson of the Board meet regularly. The Chairperson discusses and sets the agenda with the Group CEO and the Company Secretary, and facilitates the effective contribution of non-executive directors and encourages active participation during Board meetings. He has to ensure that Board members, upon appointment, participate in an induction programme and that the development needs of directors are identified and appropriate training is provided.

2. Group CEO

The Group CEO is the head of the SICOM Group and has the authority and responsibility to manage the overall operations and resources of the Group. He acts as the main point of contact between the Board and the Management. The other responsibilities of the Group CEO include among others: to develop and recommend to the Board a long-term vision and strategy for the Group as well as the annual business plans and budgets that support the Group's strategy; to execute and implement the strategy of the Board; to monitor the Group's performance and keep the Board appropriately informed; to foster a corporate culture that promotes ethical practices, rejects corrupt practices, offers equal opportunities, encourages individual integrity and meets social responsibility objectives and imperatives.

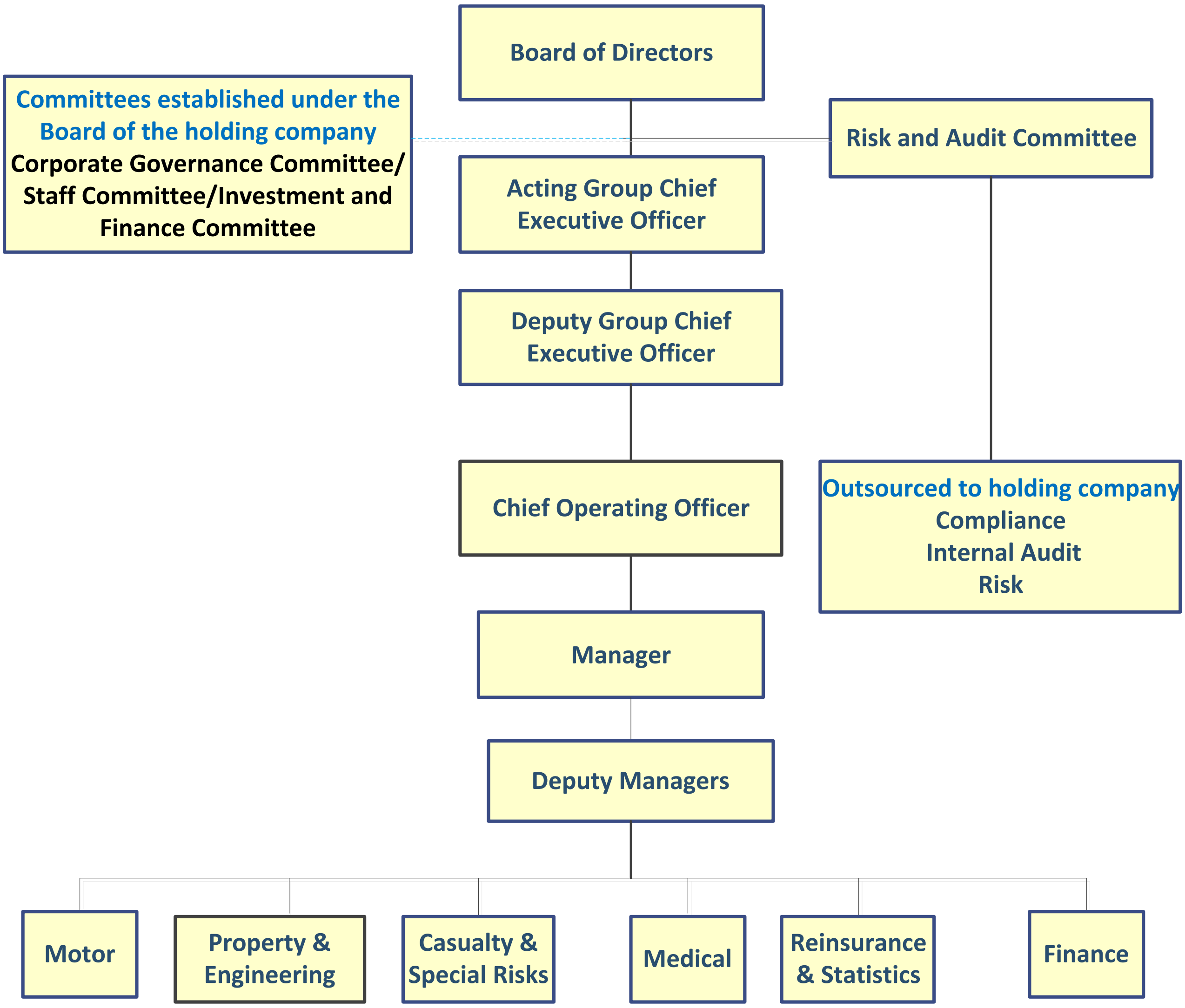
3. Company Secretary

The Company Secretary is appointed by the Board in accordance with the Companies Act 2001. She assists and advises the Board. The main responsibilities of the Company Secretary include amongst others, to: prepare and circulate agendas of Board, Board Committees and Shareholders' meetings and any supporting papers; take minutes of meetings and circulate same to members; ensure that the procedure for the appointment of directors is properly carried out; and ensure that the Company complies with all relevant statutory and regulatory requirements and any procedures set by the Board.

4. Management Team

A brief profile and responsibilities of the members forming part of the Management Team are found on page 12.

Organisational chart



Investment, Information Technology, Legal, Human Resource, Actuarial, Marketing and General Administration functions are outsourced to the holding company.

CSR projects are implemented by SICOM Foundation.

The Structure of the Board and its Committees

The directors' profiles appear on pages 9 to 11.

Board Size and Composition

The Company has a unitary Board with the right balance of skills, experience and diversity. It is composed of two (2) Executive Directors, three (3) Non-Executive Directors, four (4) Independent Directors, who are all residents of Mauritius. The Company complies with the statutory number of directors and has a Board Charter which can be reviewed by the Board as and when required.

The Non-Executive Directors come from diverse business backgrounds and they possess the skills, objectivity, integrity, experience and commitment to make sound judgments on various key issues relevant to the business of the Company. The Non-Executive Directors do not have any involvement in the operations of the Company, and none of the appointed independent directors were employed by the Company during the past three years.

Having regard to the blend of mixed skills of its Members, the Board is of the opinion that these are sufficient to enable the Company's Board to effectively discharge its responsibilities.

As regards gender balance, the Code provides that all organisations should have directors from both genders as members of the Board i.e. at least one male and one female director. As at 30 June 2019, the Company's Board comprised of seven male and two female directors.

Other Directorships Held by Members of the Board

Mr M Y Salemohamed - State Insurance Company of Mauritius Ltd, SICOM Global Fund Ltd, SICOM Management Ltd, Air Mauritius Ltd, Aurdally Bros & Co Ltd and Genuine Services Ltd

Mr J M C G Chaperon - State Insurance Company of Mauritius Ltd, SICOM Financial Services Ltd, SICOM Global Fund Ltd and SICOM Management Ltd

Mrs K G Bhoojedhur-Obeegadoo - State Insurance Company of Mauritius Ltd, SICOM Financial Services Ltd, SICOM Global Fund Ltd, SICOM Management Ltd and MCB Group Limited and MCB Equity Fund Ltd

Mr C Dussoye: Beach Casinos Ltd, Capital Asset Management Ltd, Compagnie Mauricienne D'Hippodromes Ltd, Guibies Holdings Ltd, Guibies Properties Ltd, Mauritius Shipping Corporation Ltd (Alternate Director), Morning Light Co. Ltd, National Equity Fund Ltd, Prime Real Estate Ltd, SIC Fund Management Ltd and Sun Casinos Ltd.

Mr R H Ballah – International Luxemerken Ltd, International Pay Gateway Ltd, Merchant Gateway Ltd, Rashmari Holdings Ltd and RIHABA Holdings Ltd.

Attendance at Board Meetings and Committee Meetings

All directors are committed to attending Board meetings and Committee meetings on which they serve. Below is a record of all Board and Committee meetings held during the financial year 2018/2019:

Board Composition	Classification	Board	Risk and Audit Committee
№ of Meetings held		7	4
Directors' attendance during their period of directorship			
Mr M Y Salemohamed (Director as from 31 August 2018, Chairman as from 11 September 2018)	Non-Executive Director	6 of 6	
Mr M Beejan (Director and Chairman up to 13 July 2018)	Non-Executive Director	1 of 1	
Mr R H Ballah	Independent Director	5 of 7	4 of 4
Mr A Balluck	Independent Director	5 of 7	2 of 4
Mrs K G Bhoojedhur-Obeegadoo	Non-Executive Director	4 of 7	
Mr B Boodhoo	Independent Director	7 of 7	4 of 4
Mr J M C G Chaperon	Executive Director	7 of 7	
Mr C Dussoye	Non-Executive Director	5 of 7	4 of 4
Mr V K Koonjoo (as from 12 July 2018)	Independent Director	6 of 6	
Mrs H Y K Leung Lam Hing	Executive Director	7 of 7	

Board Committees

The Board has established the Risk and Audit Committee to assist it in the discharge of its responsibilities.

The Risk and Audit Committee has its own charter, approved by the Board and which may be reviewed as and when required.

It assists the Board of Directors in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, internal controls, risk management and business ethics.

The Charter of the Risk and Audit Committee provides that it shall comprise of at least three (3) non-executive directors and the majority shall be independent directors. The Committee Chairperson shall be an independent director. The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. During the financial year 2018/2019, the Risk and Audit Committee met four times.

Members	Category
Mr R H Ballah (Chairperson)	Independent director
Mr A Balluck	Independent director
Mr B Boodhoo	Independent director
Mr C Dussoye	Non-Executive director

The following committees established by the Board of the Holding Company, details are which are available in SICOM's annual report, also look at matters pertaining to the Company:

1. Corporate Governance Committee;
2. Staff Committee; and
3. Investment and Finance Committee.

Matters discussed in the above committees are referred to the Company's Board.

Directors Appointment Procedures

Appointment

The appointment of new directors is on the basis of objective criteria, such as their individual skills, knowledge, experience, independence and with due regard for the benefits of diversity on the Board, including gender and their ability to act in the best interests of the Company. Each director is elected by a separate resolution at the Annual Meeting of Shareholder, for one year but may be eligible for re-election.

The Corporate Governance Committee of the Holding Company reviews the profile of the prospective directors and make their recommendations to the Board for its approval. Once a prospective director has been selected, his/her appointment is put forward to the shareholders at the Annual Meeting or by way of resolution for appointment. The appointment of any director is subject to the approval of the Financial Services Commission.

It is to be noted that the total number of directors shall not at any time be less than seven as prescribed by the Insurance Act 2005.

As part of its mandate, the Board carefully considers the needs of the Company in appointing directors onto the Board. Factors considered include the following:

- Skills, knowledge and expertise of the candidate;
- Previous experience as a director;
- Balance required on the Board such as gender and age;
- Independence where required; and
- Conflicts of interest.

Upon appointment, non-executive directors are each given a letter of appointment.

Directors Duties, Remuneration and Performance

Legal Duties

All of the Directors on the Board including any alternate Directors are fully aware of their fiduciary duties at the time of their appointment. Upon appointment, new Directors are given a copy of the relevant legislation, including the Insurance Act 2005 and extracts of the Companies Act 2001 regarding their statutory duties and responsibilities.

Code of Ethics

The Group's Code of Ethics for Directors and the Group's Code of Ethics for Employees were approved by the Board of the Holding Company and subsequently adopted by the Company. The Group Code of Ethics for Directors has been published on the Group's website. Both directors and employees are made aware of the requirements of their respective Code.

Conflicts of Interest

Directors should disclose any interest that they have including related party transactions, to the Board. An interest register is maintained by the Company Secretary and is updated as and when required. The register may be made available to the Shareholders of the company upon request to the Company Secretary.

It is also to be noted that at the end of each financial year, Directors are requested to fill in a disclosure of interest form.

Information Technology and IT Security

The Board ensures that the Company has in place appropriate information technology policies, and that these policies are regularly reviewed and monitored.

The Information Security Policy of the SICOM Group is a key component of the Group's overall information security management framework and reflects Management intents on information security commitments. This policy aims to establish and maintain the security and confidentiality of information, information systems, applications and networks owned or held by the Group. In this respect, security solutions are being deployed to keep abreast of new security threats. The Group also has in place other policies which provide that access to computer systems are password-protected and monitored, security solutions such as anti-virus software are updated regularly and encryption is used to protect sensitive information. These policies apply to all information, information systems, networks, applications, locations and users of the Group or suppliers under contract to it.

Assessment and Evaluation of Board Members

An evaluation of the effectiveness of the Board and its committees was conducted. The method employed to secure relevant information was done through questionnaires. Directors were overall satisfied with the performance of the Board and its committees. The Board however, with a view to enhance its effectiveness, decided that training will be arranged as appropriate.

Succession Planning

The Board ensures that suitable plans are in place for the orderly succession of appointments to the Board and to senior executive positions in order to maintain an appropriate balance of knowledge, skills and experience within the Company and on the Board.

Our Risk Management

Taking risk is inherent to the insurance business, but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance. Enterprise Risk Management ('ERM') is a structured and disciplined approach aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the Company faces as it creates value.

The objective of the ERM Program is to support the Board of Directors' efforts to prudently run the Company by consistently and effectively identifying, assessing, managing, monitoring and reporting all material risks facing the Company. A fully integrated ERM framework enables an enhanced understanding of the Company's risk profile by providing a platform for analyzing the interrelationship between risks.

Risk management magnifies value creation by embedding disciplined risk taking in the Company culture and contributes to an optimal risk-return profile where risk reward trade-offs are transparent, understood, and risks are appropriately rewarded.

Regulatory Requirements

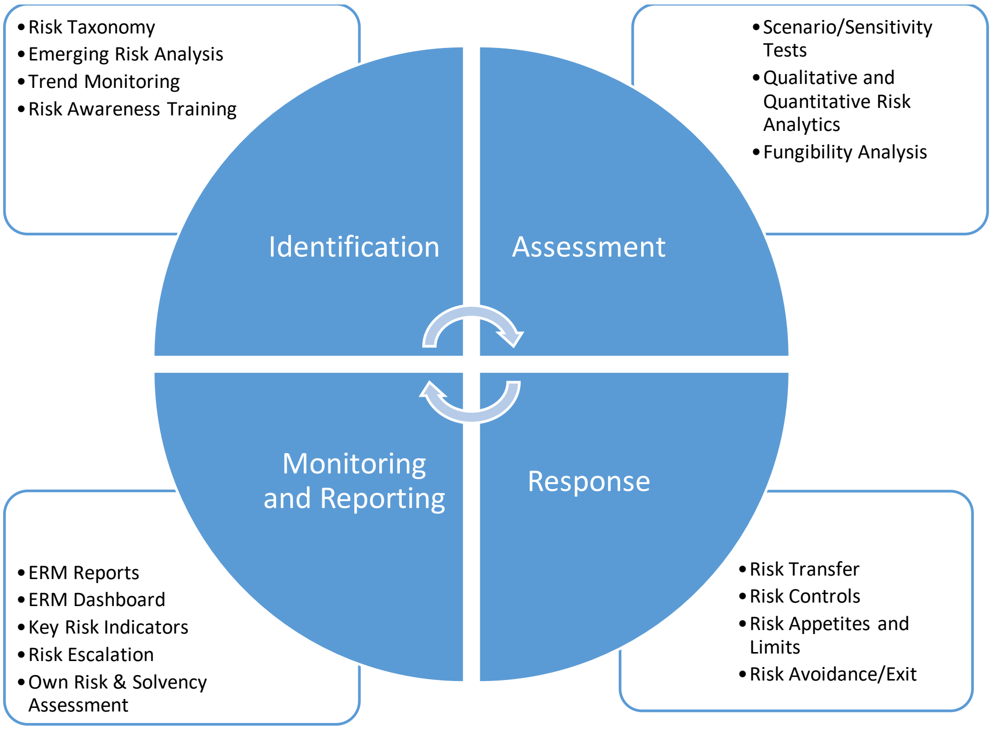
The Insurance (Risk Management) Rules 2016 (the 'Rules') issued by the Financial Services Commission require insurers registered under the Insurance Act 2005 to establish and at all times maintain a Risk Management Framework to effectively develop and implement strategies, policies, procedures and controls to manage their material risks. In doing so, insurers need to establish (and Board approve) the following:

Key Elements of ERM

Elements		Our approach
Align the ERM process to goals and objectives *Ensure the ERM process maximises the achievement of our objectives and results*		Strategic objectives are examined by regularly considering how uncertainties, both risks and opportunities, could affect the Company's ability to achieve its targets. By aligning the ERM process to its objectives, the Company can address risks via an enterprise-wide, strategically-aligned portfolio rather than addressing individual risks within silos.
Identify Risks *Assemble a comprehensive list of risks, both threats and opportunities, that could affect the Company from achieving its goals and objectives*		Through this element of ERM, the Company systematically identifies the sources of risks as they relate to strategic objectives by examining internal and external factors that could affect their accomplishment. Risks can either be opportunities for, or threats to, accomplishing strategic objectives. Developing an organisational culture to encourage employees to identify and discuss risks openly is critical to ERM success.
Assess Risks *Examine risks considering both the likelihood of the risk and the impact of the risk on the mission to help prioritize risk response*		Risk owners and subject matter experts assess each risk by assigning the likelihood of the risk's occurrence and the potential impact if the risk occurs. Risks are ranked based on organisational priorities in relation to strategic objectives. Integrating the prioritized risk assessment into strategic planning and organisational performance management processes helps improve budgeting, operational, and resource allocation planning.
Select Risk Response *Select a risk treatment response (based on risk appetite) including acceptance, avoidance, reduction, sharing or transfer.*		The Company reviews the prioritized list of risks and selects the most appropriate treatment strategy to manage the risk. Not all treatment strategies manage the risk entirely; there may be some residual risk after the risk treatment is applied. Risk owners and subject matter experts decide if the residual risk is within our risk appetite and if additional treatment will be required. It is ensured that the risk response fits into the management structure, culture and processes of the Company, so that ERM becomes an integral part of regular management functions.
Communicate and Report on Risks *Communicate risks with stakeholders and report on the status of addressing the risks*		Communicating and reporting risk information notify relevant stakeholders about the status of identified risks and their associated treatments, and assure them that risks are being managed effectively. Sharing risk information and incorporating feedback from relevant stakeholders help to identify and better manage risks, as well as increase transparency and accountability.

Risk Management Process

The Risk Management Process ('RMP') refers to the continuous cycle of identifying, assessing, monitoring, managing and reporting of risks, as applicable. The RMP is the cornerstone of any ERM framework and is formalized in a risk register. Below is a high-level depiction of the ERM processes embedded within the day-to-day business operations of the Company in managing its risk exposure.



The risks were identified and classified in a consistent manner across the organization with reference to the Company's Risk Taxonomy. The inherent risks that were identified were then assessed in terms of their probability of occurrence, their financial impact as well as their reputational impact. A corresponding rating was given for the residual risk along with a control description of how each risk identified is being mitigated, together with improvement plans. The monitoring frequency of risks differs and is stipulated in the risk registers.

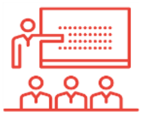
The Company's risk appetite is the maximum aggregate level and types of risk it is willing to take or tolerate in pursuing its strategic objectives and business plans. The Company regularly measures and quantifies material risks to which it is exposed, using financial and non-financial metrics.

Risk Reporting

To ensure a timely, ongoing communication and feedback between all relevant stakeholders, and foster transparency with respect to risk and the management thereof, the Company reports on its risk profile at quarterly intervals and has procedures in place to refer to risk issues and reports to senior management and the Risk and Audit Committee.

Risk Culture

Risk culture is the backbone that holds the ERM framework together, embedding risk management in all business processes. The Company is committed to establishing a supportive risk culture which is underpinned by the following principles and practices:

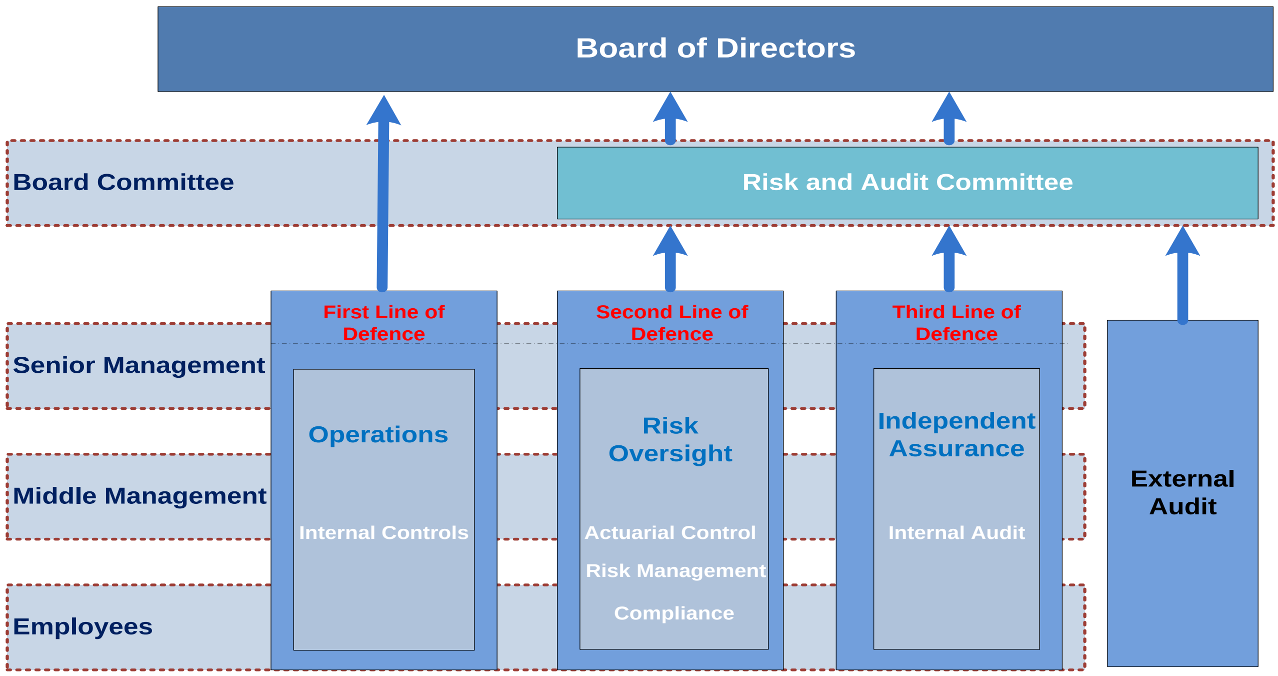
	The risk culture is set from the top
	Key decisions fully incorporate risk analysis. The Board and Management receive input from risk owners and risk experts
	Proactive responses towards risk encouraged across the Company
	An ‘open-door’ environment is cultivated and information flows as freely as possible given confidentiality requirements. A Whistleblowing Policy has been established within the Group
	Organisational learning is actively encouraged to ensure that the Company learns from experience both from internal and external inputs
	Regular risk-related training to ensure employees have the necessary knowledge to perform risk management effectively and optimally

Risk Governance

The Board of Directors is responsible for the governance of risk and for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives.

For Risk Governance, the Company adopts the Three Lines of Defence Model. In this model, key functions and operations are grouped into three categories or lines of defence depending on their specific roles and responsibilities. For each line of defence, the corresponding functions’ roles and responsibilities are defined so that they align with that particular line of defence.

Three Lines of Defence Model



First Line of Defence: Operations

The First Line of Defence comprises all functions that own and manage risks on a day-to-day basis. These functions are responsible for identifying, assessing and managing risks on an ongoing basis. They would also report on any risk-related issues or concerns.

Second Line of Defence: Oversight

Oversight functions are necessary to avoid potential conflicts of interest and lack of impartiality. This line of defence is comprised of the Actuarial Control, Risk Management and Compliance functions, all of which oversee the management of risks by Operations but are not involved in the day-to-day operations of the Company. The roles and responsibilities of the Second Line functions are to assist the Company to identify, assess, monitor, manage and report on its key risks in a timely manner by overseeing the ERM Program, and to ensure that the Company meets its legal and regulatory obligations and to promote and sustain a culture of compliance within the Company.

Third Line of Defence: Independent Assurance

The Third Line of Defence, which has the highest level of independence achievable internally, is responsible for independently reviewing the effectiveness of the risk governance system. This line is comprised of the Internal Audit function. Internal Auditors provide comprehensive assurance based on utmost independence and objectivity.

Risk Management Function

The Risk Management Function coordinates and oversees risk management activities, processes, and controls and their implementation across the Company. The function's core responsibility consists in ensuring that the Company has an effective best practice risk governance system, enabling the identification and management of all key risks, current or emerging. This requires the Risk Management Function to monitor the risk management framework and the internal control framework in order to identify any material shortcomings and provide possible solutions.

In addition, the function continually reviews the most effective risk management tools, techniques, concepts, and approaches to make sure that the Company has a robust and effective risk governance system.

An Internal Risk Committee ('IRC') is in place which includes membership from all key business units and subsidiary companies. The IRC meets as frequently as necessary to review the management of current and emerging risks and provide guidance for areas of focus. The IRC has the duty to ensure that risk appetites and tolerances for key risks are properly managed and reported.

Management of Key Risks

Within the Company's ERM framework, the key risk elements are grouped into categories including Operational, Insurance, Market and Investment, Credit and Strategic. These risks are managed holistically, that is, risk management reflects interdependencies between risks. The Company uses an overarching risk management strategy, as such, most risk management processes and controls cater for more than one risk.

Operational Risk

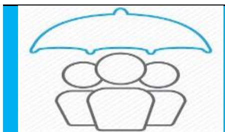
The risk of losses resulting from inadequate or failed internal processes, people, systems or from external events.

Examples

- IT systems failure
- Data Management
- Failures of critical services, structures and facilities
- Outsourcing and Contract Management
- Legal and compliance risk
- Changes in regulations
- Poor staff performance
- Expenses exceeding budget

Mitigations

- ✓ Regular evaluation of quality of service by suppliers/service providers
- ✓ Review Maintenance Contracts
- ✓ Close monitoring of Legal & Regulatory environment
- ✓ Performance Management System
- ✓ Regular security assessment and penetration testing
- ✓ IT Security tools
- ✓ Continual Back up
- ✓ Crisis Management Committee
- ✓ Business Continuity Plan
- ✓ Whistleblowing Policy in place



Insurance Risk

Risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Examples

- Pricing and underwriting risk
- Concentration of exposure
- Reinsurance-related risks
- Inadequate reserving

Mitigations

- ✓ Annual Actuarial Valuation exercise
- ✓ Annual Product review/re-pricing
- ✓ Reinsurance Arrangements in place
- ✓ Review reserving assumptions, models & methods
- ✓ Regular monitoring of concentration ratio
- ✓ Risk Acceptance Hierarchy
- ✓ Underwriting guidelines
- ✓ Monitoring of loss ratio and performance of business lines

Market & Investment risk

Risk of financial loss arising from changes in market factors that affect the absolute or relative values of assets and liabilities.

Examples

- ➢ Currency fluctuations
- ➢ Concentration of assets
- ➢ Mismatch of assets and liabilities
- ➢ Interest rates changes
- ➢ Liquidity risk
- ➢ Investment return volatility

Mitigations

- ✓ Monitoring of asset portfolio denominated in foreign currency
- ✓ Monitoring of standard deviation of returns
- ✓ Re-balancing of asset portfolio
- ✓ Review Investment guidelines/policies
- ✓ Regular Asset Liability Modelling exercise by Independent Consultant
- ✓ Internal Asset Liability Committee

Credit Risk

The risk that the Company will not receive cash flows or assets to which it is entitled, in a timely manner, because a party with which it has bilateral contract defaults on one or more obligations.

Examples

- ➢ Insolvency/unwillingness of reinsurers to settle their dues
- ➢ Unsettled dues from insurance agents/brokers, Third Party Insurers and Policyholders

Mitigations

- ✓ Monitoring of arrears
- ✓ Recovery procedures guideline
- ✓ Monitoring of Reinsurers' Credit Ratings

Strategic Risk

Risk of a change in the value of the insurer due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment.

Examples

- ➢ Insufficient capital to support business plans and solvency assessment
- ➢ Changing business landscape
- ➢ Unexpected changes in competition

Mitigations

- ✓ Annual Actuarial Valuation
- ✓ Annual Solvency Assessment
- ✓ Monitoring of market trends
- ✓ Review distribution process
- ✓ Strategic planning process
- ✓ Review business strategy
- ✓ Annual Action Plan

Business Planning

The Company does not just manage its risk exposure at a particular point in time, but also on a forward-looking basis. This is done by looking at the impact of risk over a longer time horizon, both when considering the financial impact of a material new business venture, and for the Company as a whole.

A detailed three-year business plan is prepared and includes financial forecasts and projected solvency positions. The business plan is also adjusted for any known deviations from the previous business plan and is reviewed at least annually at the same time the Company performs its annual Own Risk and Solvency Assessment ('ORSA').

Own Risk and Solvency Assessment

The Company performs an ORSA once a year with quarterly reviews for the in-between periods. The purpose of the ORSA is for the Company to assess the resilience of its solvency across a range of possible scenarios over its full business planning cycle of three years. The Company does this by looking at its regulatory solvency position over this period as well as how its risk profile changes relative to its overall risk appetite measures and detailed risk tolerance limits.

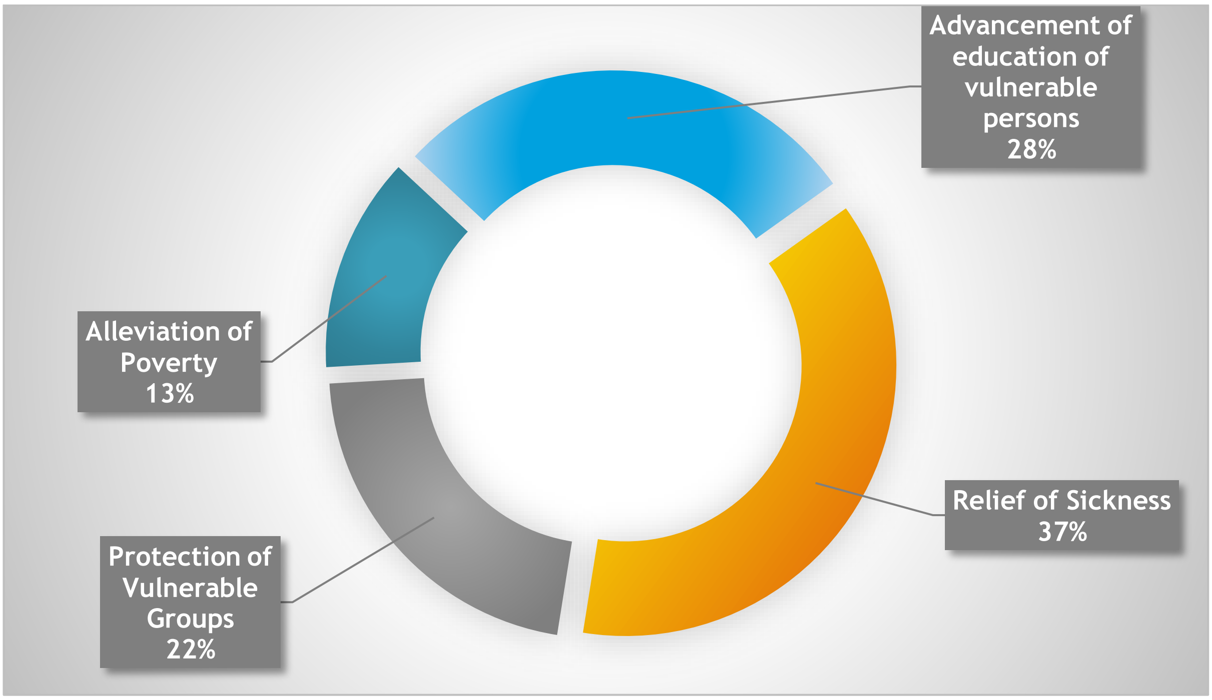
During the ORSA process, the Company also assesses the quality of its capital resources and capital planning processes as well as the adequacy of its risk management framework. The ORSA consists of an assessment of the impact of stress testing the business plan, a review of the ERM Framework and a review of the capital management framework.

Reporting with Integrity

The SICOM Group is laying down the foundation for integrated reporting and its principles are cascaded down to the level of SICOM General Insurance Ltd. The details of the reporting are available in the SICOM annual report.

Corporate Social Responsibility

In accordance with the Finance (Miscellaneous Provisions) Act 2017, 50% of the CSR Fund of SICOM General Insurance Ltd has been remitted to the Mauritius Revenue Authority (MRA) and the remaining 50% representing an amount of Rs 383,888 has been transferred to SICOM Foundation, the dedicated vehicle responsible for the efficient and effective implementation of the Group's CSR initiatives. During the year under review, a total amount of Rs 3,497,752 was allocated to finance 14 projects in the following areas of intervention: Relief of sickness (37%), Advancement of education of vulnerable persons (28%), Protection of vulnerable groups (22%) and Alleviation of poverty (13%) as per illustration below.



Donations

The Company did not make any political donation during the financial year 2018/2019.

Audit

Directors' Responsibilities

The Directors are responsible for the fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, the Insurance Act 2005 and Financial Reporting Act 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations on the above will be reported in the independent auditor's report attached to the financial statements.

Internal Audit

The Internal Audit function has the overall responsibility of providing independent, objective assurance and consulting activity designed to add value and improve the Company's operations. The Internal Audit function is also one of the functions falling under the Service Level Agreement. Audit activities are carried out by the Internal Auditor of the Holding Company.

The Internal Audit function derives its authority from the Board through the Risk and Audit Committee. The Internal Audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. The Internal Audit function is not responsible for the implementation of controls or for the management and mitigation of risk, the responsibility for which remains with the Board and Management.

The scope of work of the Internal Audit Function encompasses mainly the following functions which are namely to review the effectiveness and adequacy of internal control within the Company, to assess the systems / processes relating to all activities of the Company and make appropriate recommendations and monitor their implementation to the Risk and Audit Committee and Management pursuant to the findings in the course of review and assessment exercises.

The Internal Auditor has a direct reporting line to the Risk and Audit Committee and maintains an open communication channel with Management. He has unfettered access to the records, management or employees of the Company.

The Internal Audit plan for the Company, which forms part of the Group's audit plan and is approved by the Risk and Audit Committee, is based on the principles of risk management to ensure that the scope of work is aligned with the degree of risks attributable to the areas audited.

Internal audit reviews for the financial year ended 30 June 2019 were conducted on Claims Provisioning and Claims Recoveries from Third Parties / Third Party Insurers for both Motor and Non-Motor insurance businesses. No major weakness was noted in the reviews carried out.

External Audit

The Risk and Audit Committee and External Auditors

The roles and responsibilities of the Risk and Audit Committee members in the external audit process are to:

- Consider and make recommendations to the Board, to be put to shareholder for approval at the Annual Meeting of Shareholder, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Meet with the external auditor and management of the Company to review the scope of the proposed external audit for the current year.
- Review performance and remuneration of external auditors and their provision of non-audit services.
- Assess the external auditor's independence in providing non-audit services.
- Meet with the external auditor, as and when required and at least once a year, without management being present to discuss the auditor's remit and any issues arising from the audit.
- Review the appropriateness of accounting standards and make appropriate estimates and judgements taking into account the views of external auditors.
- Examine and review the quality and integrity of the financial statements, including the annual report.

Reappointment of External Auditors

The Board of Directors of the Company had recommended the appointment of Ernst & Young as the External Auditors of the Company for the financial years 2018-2022 following a tender exercise. Section 200 of the Companies Act 2001 provides for the automatic reappointment of auditors applicable for this financial year.

The provision of non-audit services is subject to a tender process so as to ensure that the nature of the non-audit services, if provided by the external auditors, could not be perceived as impairing their independence on the external audit exercise.

Audit fees and fees for other services

	2019	2018
	Rs'000	Rs'000
Statutory Audit	694	661
Review of Tax Computation	97	92

The report of Ernst & Young, external auditors, is annexed to the Financial Statements of the Company.

Quality Assurance

The Quality Management System in place in the Company is continually being improved, through its dedicated and motivated workforce, with main focus on the Company's clients, its people and other stakeholders. The Company's workforce and Management consistently work towards ensuring that the Quality Objectives of the Company are met with the prime objective of maximizing shareholder's value.

Engaging with our Stakeholders

At SICOM General Insurance Ltd, engagement with stakeholders occurs regularly during the ordinary course of business. It is essential to build trust and resilience by disclosing how the Company understands, takes into consideration and responds to key stakeholders' legitimate interests and needs through decisions, actions, performance and ongoing communication. SICOM General Insurance Ltd aims at creating value in a sustainable way for its stakeholders so that the Company remains aligned with its objectives and statement of lifetime commitment.

Key stakeholders impacted by the Company are as follows:

HOW WE ADDRESS STAKEHOLDERS' EXPECTATIONS

OUR STAKEHOLDERS

STAKEHOLDERS	EXPECTATIONS	RESPONSE	HOW WE ENGAGE WITH THEM	CAPITAL IMPACTED	SUSTAINABLE DEVELOPMENT GOALS
Customers (including scheme members)	• Excellent service • Seamless experience across channels • Instant support • Competitive prices • Simplification of processes • Partnership and relationship • Customised solutions • Value- Added services	• Soft skills and general skills training to staff • Opening of a new customer lounge • More hubs closer to customers • Digitalisation of our services • Call centre services for greater availability • Regular campaigns and reminder campaigns for products • Timely communication to our customers • Offer innovative products to better meet customers' needs • Tailor made packages • Assessment of risk, advice and calculations for report purposes • Integrated solutions are provided to conglomerates, small and medium enterprises across industries • Training on Motor Claims- Corporate Fleet for risk mitigation and loss minimisation solutions • New IT tools such as Workspace being used to save time, facilitate filing and follow up • Documents through electronic means now accepted for motor insurance for ease of doing business • Readjustment and adequate of pricing of products • New bancassurance partnerships to connect and serve customers • Decentralisation of administrative tasks to Travel Agents to issue Travel Insurance	• Voice of Customer survey • Customer service • Distribution channels such as Hubs, Customer shop • Events such as Open day • Email, Phone call, SMS, Letters, Customer Portal • Website • Media Campaigns • Yearly benefits and emoluments statements • Presentations	• Financial • Intellectual • Relationship	
Shareholders	• Strong governance, ethics and transparency • Higher returns on investment and long term business value • Clear and consistent business strategy	• Risk Management and compliance functions to oversee soundness of financial, operation, compliance ans strategic risk management • Timely reporting of financial performance to the authorities and the shareholders • Strategy consulting done to take the Group to the next level	• Annual General Meeting • Annual Report • Website	• Financial • Intellectual	
Employees	• Stimulating and rewarding package • Training and career development opportunities • Work-Life balance • Regular communication • Enabling culture	• Competitive remuneration and employment conditions • Learning culture and continued professional development are encouraged • Workshops, training and development programmes are organised • Performance management system • Regular communication with employees through different platforms • Women and men are given equal opportnuities at work and during recruitment • Sponsorship of sports events	• Voice of Employee Survey • Monthly Comité d'entreprise meeting • Staff Club • Communication via Employee Hub • At staff events such as End of year party, family day, etc. • Trainings	• Human • Intellectual	
Intermediaries	• Commissions • Quality of service • Relationship	• We listen to the needs of our intermediaries regularly • Trainings • A dedicated salesmen unit to serve intermediaries • Timely processing of commissions • Develop sustainable relationships • Documents through electronic means now accepted for motor insurance for ease of doing business	• Voice of Intermediary Survey • Face-to-face meetings • Agent Awards Night • Email, Phone call, SMS, Letters • Trainings	• Financial • Human • Relationship	

OUR STAKEHOLDERS

STAKEHOLDERS	EXPECTATIONS	RESPONSE	HOW WE ENGAGE WITH THEM	CAPITAL IMPACTED	SUSTAINABLE DEVELOPMENT GOALS
Business partners (Reinsurer, Valuers, Car dealers, Legal advisors, Consultants, Suppliers, Third party Administrators)	• Fair payment practices • Comply to terms in Service Level Agreements • Fair tender process • Supplier relationship management	• Timely payment to suppliers and other business partners • Develop sustainable relationships • Work as a team with a common goal • Timely communication and consultation	• Face-to-face meetings • Email, Phone call, Letters • Regular Visits	• Financial • Relationship	
Government and Regulators	• Good governance • Statutory and legal Compliance • Proactively engage with regulators • Responsible development of insurance sector	• Engage constructively on new policies and regulations • Compliance with existing rules • Timely filing of returns and reports • Good governance practices • Abide to capital adequacy ratio and minimum capital requirement • Comply with new laws and create organisation wide awareness • Providing expert services and advice to government bodies and institutions	• Annual Report • Corporate Governance Report • ORSA Report • Returns • Workshops • Meetings • Email, Phone call, Letters	• Financial • Intellectual • Relationship	
Community	• Social Welfare activities • Job creation • Poverty alleviation	• Funding of CSR projects • Sponsorphips to Non-Governmental Organisations and charitable funds • Trainees periodically onboarded for short-term training within the organisation	• Charity walk • CSR projects • Sponsorships	• Relationship • Social/Natural	
Environment	• Care for the environment • Energy saving initiatives	• Tree planting within the premises of our buildings • Keeping the premises of our buildings clean and equipped with bins • Installation of LED bulbs in the buildings • Used paper sent for recycling • Underground rain water being used to clean the outside of the building		• Social/Natural	

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors acknowledge their responsibilities for:

i. adequate accounting records and maintenance of effective internal control systems,
ii. the preparation of financial statements which fairly present the state of affairs of the Company as at the end of the financial year 2018/2019 and the results of its operations and cash flows for that period and which comply with International Financial Reporting Standards, and
iii. the selection of appropriate accounting policies supported by reasonable and prudent judgments.

The External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

i. adequate accounting records and an effective system of internal controls and risk management have been maintained,
ii. appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently,
iii. International Financial Reporting Standards have been adhered to.

ACKNOWLEDGEMENT

The Board of Directors expresses its deep appreciation of the support given to all the stakeholders of the Company by the Government of Mauritius, the Financial Services Commission, Reinsurers, Insurance and Reinsurance Brokers, Investment Managers, Bankers and Insurance Agents and Salespersons. The Board of Directors is also thankful to its customers and stakeholders for their loyalty and trust and would like to thank Management and staff for their dedicated effort and commitment to the Company.

Signed on behalf of the Board of Directors

Chairman .... Director ....

Date: 24 SEP 2019 Date: 24 September 2019

SECRETARY'S CERTIFICATE

I certify to the best of my knowledge and belief that for the year ended 30 June 2019, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

....

Lee Shing Po Theresa M (Mrs)
Company Secretary
SICOM General Insurance Ltd

Date: 24 SEP 2019

STATEMENT OF COMPLIANCE

(Section 75(3) of the Financial Reporting Act)

Name of PIE: SICOM General Insurance Ltd

Reporting Period: Year ended 30 June 2019

Throughout the year ended 30 June 2019, to the best of the Board's knowledge, the Company has applied most of the recommendations of the Code and measures will be taken, during the next financial year, to address the parts which have not yet been complied with during this financial year.

Chairman ....

Date: 2 4 SEP 2019

Director ....

Date: 24 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SICOM General Insurance Ltd (the "Company") set out on pages 47 to 112 which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of insurance contract liabilities	
The valuation of general insurance loss reserves amounting to Rs. 260.7m (2018: Rs. 394.4m) involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies namely the Cape Cod method and Chain-Ladder method (Refer to Note 5 of the financial statements) to estimate these provisions. General insurance loss reserves require significant judgement relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.	We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over the claims estimation process including Incurred But Not Reported (IBNR). In particular, we tested the controls over the integrity of data and the assumptions setting and governance processes used by management related to the valuation of general insurance reserves.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
<u>Valuation of insurance contract liabilities</u>	
Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, some catastrophic events can be more complex to model using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. Refer to Note 16(b) of the financial statements. Given its complexity and significance, valuation of insurance contract liabilities has been considered as a Key Audit Matter.	In relation to the particular matters set out above, our substantive testing procedures included the following: • We reviewed the documentation around outstanding claims which are high in value and involving longer settlement periods and tested management best estimates of the settlement outcome. Where appropriate, we obtained legal confirmation to corroborate management's assessment; • We tested the completeness and accuracy of underlying claims data that are sent to the actuary in estimating general insurance loss reserves. This includes the testing of information sent to the actuary for the determination of IBNR; • We evaluated the actuarial assumptions used by management based on the analysis of the experience to date, industry practice and the financial and regulatory requirements; • With the support of our internal specialist, we tested the assumptions, inputs and formulas used in the IBNR model. This included assessing the appropriateness of model design, formulas used, recalculating the IBNR based on management's model. • We evaluated management's methodology and assumptions against actuarial practices and industry standards; and • We evaluated whether the actuary has the relevant expertise and experience in this field.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report and Secretary's Report as required by the Companies Act 2001, and the Corporate Governance Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information (except the Corporate Governance Report) and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the public interest entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and the Insurance Act 2005 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of the report

This report is made solely to the Company's member in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to the latter in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SICOM GENERAL INSURANCE LTD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

Insurance Act 2005

The financial statements have been prepared in the manner and meet the requirements specified by the Financial Services Commission (FSC).

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A
Licensed by FRC

Date: 24 SEP 2019

SICOM GENERAL INSURANCE LTD

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019	2018
		Rs'000	Rs'000
NON-CURRENT ASSETS			
Property and equipment	6	3,005	3,172
Intangible assets	7	5,220	4,540
Statutory deposits	8	-	7,942
Available-for-sale	9 (a)	-	65,024
Held-to-maturity	9 (b)	-	380,104
Financial Assets at FVOCI	9 (c)	36,528	-
Financial Assets at FVTPL	9 (d)	66	-
Financial Assets at Amortised Cost	9 (e)	576,363	-
Loans and advances	11	12,040	9,296
Deferred tax assets	12	21,866	12,820
		655,088	482,898
CURRENT ASSETS			
Held-to-maturity	9(b)	-	147,232
Loans and advances	11	133	2,917
Insurance and other receivables	13	371,649	223,013
Prepayments		1,074	2,357
Deferred acquisition costs receivables	16(d)	22,264	16,404
Reinsurance assets	16(a)	462,076	537,639
Fixed deposits	10	-	126,357
Financial Assets at Amortised Cost	9 (e)	141,684	-
Short-term deposits	14	-	19,992
Cash and cash equivalents		68,446	49,541
		1,067,326	1,125,452
TOTAL ASSETS		1,722,414	1,608,350
EQUITY AND LIABILITIES			
Stated capital	20	25,000	25,000
Reserves	21	143,951	174,543
Subordinated loan	22	341,625	341,625
TOTAL EQUITY		510,576	541,168
NON-CURRENT LIABILITIES			
Pension benefit obligations	23	133,036	81,429
CURRENT LIABILITIES			
Insurance contract liabilities	16(a)	727,741	776,672
Deferred acquisition costs payables	16(e)	31,898	26,164
Trade and other payables	18	267,192	154,708
Dividend	19	37,011	25,788
Current tax liabilities	17(a)	7,090	2,421
Bank overdraft		7,870	-
		1,078,802	985,753
TOTAL EQUITY AND LIABILITIES		1,722,414	1,608,350

These financial statements have been approved for issue by the Board of Directors on 24 SEP 2019

SALEMOHAMED M Y
Chairman

LEUNG LAM HING H Y K
Director

The notes on pages 52 to 111 form an integral part of these financial statements.
Auditors' report on pages 42 to 46.

	Notes	2019	2018
		Rs'000	Rs'000
Gross insurance premiums	15(a)	968,637	778,389
Premium ceded to reinsurers	15(b)	(499,150)	(366,681)
Net earned premiums		469,487	411,708
Gross claims paid	16(b)	619,150	358,089
Claims settled from reinsurers	16(b)	(321,496)	(83,115)
Gross change in contract liabilities	16(b)	(133,648)	104,441
Change in contract liabilities ceded to reinsurers	16(b)	122,018	(121,971)
Net claims incurred		286,024	257,444
Commissions receivable from reinsurers		63,258	49,897
Commissions paid to agents and brokerage fees		(54,824)	(42,044)
		8,434	7,853
Underwriting surplus		191,897	162,117
Interest Income using effective interest rate	24	39,366	38,778
Other Investment income	24	2,278	1,339
Credit loss expenses	9(e)	(57)	-
Net loss on financial assets at fair value through profit or loss	9(d)	(8)	-
Revenue from contract with customers	25 (a)	409	390
Other income	25	5,973	11,059
		239,858	213,683
Administrative and other expenses	26	(180,148)	(174,287)
PROFIT BEFORE TAX		59,710	39,396
Income tax expense	17(b)	(10,364)	(5,012)
PROFIT FOR THE YEAR		49,346	34,384

The notes on pages 52 to 111 form an integral part of these financial statements.
Auditors' report on pages 42 to 46.

	Notes	2019	2018
		Rs'000	Rs'000
Profit for the year		49,346	34,384
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	23(a)(iii)	(46,350)	(18,527)
Income tax relating to components of other comprehensive income	12(a)	7,880	3,150
		(38,470)	(15,377)
Net loss on equity investment at fair value through other comprehensive income	9 (c)	(3,870)	-
		(42,340)	(15,377)
Items that will be reclassified to profit or loss:			
Net loss on available-for-sale financial assets		-	(3,202)
Other comprehensive income		(42,340)	(18,579)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,006	15,805

The notes on pages 52 to 111 form an integral part of these financial statements.
Auditors' report on pages 42 to 46.

	Notes	Stated Capital	Retained Earnings	Actuarial Losses	Fair Value Reserve	Subordinated Loan	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 01 July 2018		25,000	225,222	(53,319)	2,640	341,625	541,168
Effect on adoption of IFRS 9	2.2	-	(472)	-	(115)	-	(587)
Balance at 01 July 2018 (as restated)		25,000	224,750	(53,319)	2,525	341,625	540,581
Profit for the year		-	49,346	-	-	-	49,346
Other comprehensive income		-	-	(38,470)	(3,870)	-	(42,340)
Total comprehensive income for the year		-	49,346	(38,470)	(3,870)	-	7,006
Dividend	19	-	(37,011)	-	-	-	(37,011)
Balance at 30 June 2019		**25,000**	**237,085**	**(91,789)**	**(1,345)**	**341,625**	**510,576**
Balance at 01 July 2017		25,000	216,626	(37,942)	5,842	341,625	551,151
Profit for the year		-	34,384	-	-	-	34,384
Other comprehensive income		-	-	(15,377)	(3,202)	-	(18,579)
Total comprehensive income for the year		-	34,384	(15,377)	(3,202)	-	15,805
Dividend	19	-	(25,788)	-	-	-	(25,788)
Balance at 30 June 2018		25,000	225,222	(53,319)	2,640	341,625	541,168

The notes on pages 52 to 111 form an integral part of these financial statements.
Auditors' report on pages 42 to 46.

	Notes	2019	2018
		Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		59,710	39,396
Adjustments for:			
Depreciation on property and equipment	6	962	662
Amortisation of intangible assets	7	1,094	1,789
Profit on disposal of available-for-sale financial assets	25	-	(5,286)
Pension benefit obligations	23(a)(iii)	10,813	9,149
Credit loss expenses		57	-
Net loss on financial assets at fair value through profit or loss		8	-
Investment and other investment income	24	(41,644)	(40,117)
Operating cash flows before working capital changes		31,000	5,593
Increase in insurance and other receivables and prepayments		(147,791)	(7,049)
Decrease/(increase) in reinsurance assets		75,563	(114,999)
Increase in deferred acquisition costs receivables		(5,860)	(1,135)
Increase/(decrease) in trade and other payables		112,577	(18,775)
Increase/(decrease) in deferred acquisition costs payable		5,734	(2,925)
(Decrease)/increase in insurance liabilities		(48,931)	115,072
Net cash flows generated from/ (used in) operations		22,292	(24,218)
Interest received		36,919	39,538
Dividend received		2,228	1,450
Income tax paid	17(a)	(6,861)	(3,695)
Contribution paid on retirement benefit obligations	23(a)(iii)	(5,556)	(6,041)
Net cash flows generated from operating activities		49,022	7,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	(888)	(1,607)
Purchase of intangible assets	7	(1,774)	(1,081)
Proceeds on disposal /maturity of financial assets	9(g)	324,976	105,528
Purchase of financial assets	9(g)	(354,534)	(73,127)
Loans advanced		(3,889)	(6,546)
Loans repaid		3,918	11,699
Net cash flows (used in)/generated from investing activities		(32,191)	34,866
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	19	(25,788)	(23,002)
Net cash used in financing activities		(25,788)	(23,002)
Net (decrease)/ increase in cash and cash equivalents		(8,957)	18,898
CASH AND CASH EQUIVALENTS AT 01 JULY		69,533	50,635
CASH AND CASH EQUIVALENTS AT 30 JUNE		60,576	69,533

CASH AND CASH EQUIVALENTS

		2019	2018
Bank and cash balances		68,446	49,541
Bank overdraft		(7,870)	-
Short term deposits		-	19,992
		60,576	69,533

The notes on pages 52 to 111 form an integral part of these financial statements.
Auditors' report on pages 42 to 46.

1. GENERAL INFORMATION

SICOM General Insurance Ltd is a Public Limited Company, incorporated in the Republic of Mauritius on 22 April 2010. Its registered office is situated at Sir Celicourt Antelme Street, Port Louis, Mauritius. The principal activity of the Company is to transact General Insurance Business.

The Company has started trading as a separate company as from 01 July 2010, when the transfer of assets and liabilities has been finalised.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of SICOM General Insurance Ltd comply with the companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the international Accounting Standard Board ('IASB'). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise indicated.

The financial statements have been prepared under the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are stated at their fair value.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS adopted in the year commencing 1 July 2018:

<u>Amendments</u>	**Effective for accounting period beginning on or after**
IFRS 9 – Financial Instruments	1 January 2018
IFRS 15 - Revenue from Contracts with customers	1 January 2018
IFRIC 22 -Foreign Currency Transactions and Advance Consideration	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss in an investment – by- investment choice	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Company. The Company will not restate comparatives on initial application of IFRS 9 on 1 July 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

The impact of adopting IFRS 9 is disclosed below.

The nature of these adjustments is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contract cash flows represent 'solely payments of principal and interest on the principal amount outstanding.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged.

The assessment of the Company's business model was made as of the date of application, 1 July 2018. The assessment of whether the contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments (Continued)

The following are the changes in the classification of the Company's financial assets:

(i) Trade and other receivables (excluding prepayments and interest receivable), investment in bonds, deposits and cash and cash equivalents, classified as 'Loans and receivables' as at 30 June 2018, were held to collect contractual cash flows and gave rise to cash flows representing solely payments of principal and interest. These were classified and measured as financial assets at amortised cost beginning 1 July 2018.

(ii) Investment in equity securities were classified as available –for- sale and management has made an irrevocable decision to classify these as financial assets at FVOCI, with no recycling on derecognition.

(iii) The company had an investment in listed mandatorily convertible securities and were classified as available-for-sale. These were classified as financial assets at FVTPL.

(b) Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model is applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected credit loss involves increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures 12 months expected credit loss is recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Company assesses whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses are recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Company has defined default as exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses are recognized for these assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(b) Impairment (Continued)

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12-month expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.

- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.

- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.

- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;

- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

Upon adoption of IFRS 9, the Company recognised an impairment on the Company's Financial assets which resulted in a decrease in retained earnings as of 1 July 2018. Other receivables are short term in nature and recoverable within 3 months, as a result the credit risk was assessed to be very low and ECL assessed to be insignificant. Similarly, the cash at bank is maintained with reputable financial institutions and given that the bank balances are highly liquid, the credit risk has been assessed to be very low and ECL to be insignificant.

A reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9 is set out below :-

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments (Continued)

Transition Report June 2019

IMPACT OF ADOPTION OF IFRS 9 ON STATEMENT OF FINANCIAL POSITION

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1st JULY 2018 is as follows:

	Original Classification under IAS 39			IFRS 9 Classification			IFRS 9 Measurement	
	Category		Amount	Re-Classification	ECL measurement	Other	Amount	Category
Financial assets			Rs,000	Rs,000	Rs,000	Rs,000	Rs,000	
Debt securities	**From Held-to-maturity**	A	535,278	(535,278)	-	-	-	
	To Financial Assets at amortised cost		-	535,278	(297)	-	534,981	AC
			535,278	-	(297)	-	534,981	
Equity and quoted debt securities	**From Available for sale**		65,024	(65,024)	-	-	-	
	To Financial Assets at fair value through OCI	B	-	39,371	-	-	39,371	FVTOCI
Convertible debt Securities (Unquoted)	**Financial Assets at fair value through profit and loss**	C	-	119	-	-	119	FVTPL

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments (Continued)

Transition Report June 2019 (Continued)

IMPACT OF ADOPTION OF IFRS 9 ON STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Original Classification under IAS 39 Category		Amount	IFRS 9 Classification Re-Classification	ECL measurement	Other	IFRS 9 Measurement Amount	Category
Financial assets			Rs,000	Rs,000	Rs,000	Rs,000	Rs,000	
Debt Securities	**Financial Assets at amortised cost**	**D**	-	25,534	(32)	(86)	**25,416**	**AC**
			65,024	-	(32)	(86)	**64,906**	
Dividend and interest receivables	**From Loans and Receivables**	**E**	936	(488)	-	-	**448**	
	To Financial assets at amortised cost		-	488	-	-	**488**	**AC**
			936	-	-	-	**936**	
Fixed deposits	**Loans and Receivables**	**F**	126,357	-	(161)	-	**126,196**	**AC**
Cash and Cash equivalents	**Loans and Receivables**		69,533	-	-	-	**69,533**	**AC**
Other Loans	**Loans and Receivables**		12,213	-	(11)		**12,202**	**AC**
Total Financial Assets			**208,103**	**-**	**(172)**	**-**	**207,931**	
			809,341	-	(501)	(86)	808,754	

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments (Continued)

The abbreviations used above are defined as follows; AC (Amortised Cost), FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value through Profit and Loss).

Note A

These are debt instruments that were classified as held-to-maturity. On adoption of IFRS 9, the business model adopted by the Company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9.

Note B

These are quoted/unquoted equity securities not held-for-trading and that were classified as available for sale. On adoption of IFRS 9, the Company have made an irrevocable election to classify these as financial assets at fair value through OCI with no recycling.

Note C

These are investments in convertible debt securities and were classified as available for sale investments. On adoption of IFRS 9 these instruments were assessed as debt instruments but that failed the SPPI test and consequently were classified as financial assets measured at FVTPL. The cumulative gain of Rs 29,000 for the Company was reclassified from available for sale reserve to retained earnings following the change in classification.

Note D

These are quoted debt instruments that were classified as available for sale. On adoption of IFRS 9, the business model adopted by the company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9.

Note E

These are interest receivable on the statutory deposits and non-government bonds that were classified as loans and receivables. On adoption of IFRS 9, the business model adopted by the Company for these instruments is to hold to collect contractual cash till their maturities. The interest receivable was then reclassified to financial assets at amortised cost on adoption of IFRS 9.

Note F

These are financial instruments that were classified as loans and receivables. On adoption of IFRS 9, the business model adopted by the company for these instruments is to hold to collect contractual cash till their maturities. The debt instruments were classified as amortised cost on adoption of IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 9-Financial Instruments (Continued)

IMPACT OF ADOPTION OF IFRS 9 ON STATEMENT OF FINANCIAL POSITION

The impact of transition to IFRS 9 on retained earnings is as follows:

	Retained Earnings & Fair Value Reserve
	Rs,000
Fair Value Reserve:	
Closing balance under IAS 39 (30 June 2018)	2,640
Reclassification of investment securities from available for sale to FVTPL	(29)
Reclassification of debt securities from available for sale to debt securities at amortised cost	(86)
Opening balance under IFRS 9 (1st July 2018)	2,525
Retained earnings	
Closing balance under IAS 39 (30 June 2018)	225,222
Reclassification of investment securities from available for sale to FVTPL	29
Recognition of IFRS 9 ECLs including those measured at Amortised Cost	(329)
Recognition of IFRS 9 ECLs on Loans and advances	(172)
Opening balance under IFRS 9 (01 July 2018)	224,750
Total change in equity due to IFRS 9 adoption	(587)

	Loss Provision under IAS 39 at 30 June 2018	Re-measurement	ECLs under IFRS 9 at 1 July 2018
	Rs,000	Rs,000	Rs,000
Impairment allowances for:			
Debt instruments	-	(329)	(329)
Loans and advances to customers	-	(11)	(11)
Deposits	-	(161)	(161)
	-	(501)	(501)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 15 Revenue from contracts with customers (Continued)

CREDIT LOSS EXPENSES

The table below shows the ECL charges on financial instruments for the year recorded in the income statement.

2019	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs,000	Rs,000	Rs,000	Rs,000
Deposits	112	-	-	112
Loans and advances to customers	-	-	-	-
Debt instruments	(169)	-	-	(169)
	(57)	-	-	(57)

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company has adopted IFRS 15 using the modified retrospective approach with the initial date of 1 July 2018. The cumulative effect of initial application of IFRS 15 is recognised as an adjustment to retained earnings.

Therefore, the comparative figures were not restated and continues to be reported under IAS 11, IAS 18 and related interpretations. There was no impact on the financial statements of the Company from adoption of IFRS 15. With this new standard the Company is required to give additional disclosures in these financial statements.

Revenue from services transferred over a period of time include management services.

Revenue from these services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. Consequently, under IFRS 15, the Company continues to recognise revenue for these services over time rather than a point in time. Hence, no quantitative impact on adoption of IFRS 15.

Revenue from contract with customers is recognised when control of the services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

IFRS 15 Revenue from contracts with customers (Continued)

CREDIT LOSS EXPENSES (CONTINUED)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. At the reporting dates, the Company had no contract assets.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (that is, only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 2.7 (Financial instruments) - initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfer services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. It is the Company's policy not to bill the customers in advance to the provision of services.

2.3 Accounting standards and interpretations issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them and intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments	
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IFRS 11 – Joint Arrangements – Previously held interests in a joint operation	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
The Conceptual Framework for Financial Reporting	1 January 2020
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

The following new standards are expected to impact the company:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfatheringprevious local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short - duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contacts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e. coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policy holder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense;
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date.

The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Accounting standards and interpretations issued but not yet effective (Continued)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The Company will adopt these standards when they become effective.

2.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated to write off the cost of the assets on a straight-line basis over their estimated useful lives at the following rates: -

Furniture and fittings	10%
Office equipment	10%
Computer equipment	20%

The assets' residual values, useful lives and depreciation method are reviewed and adjusted prospectively if appropriate at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Intangible assets - Computer Software

Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful lives of 2 - 8 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing at that date. Profits and losses arising on exchange are included in profit or loss for the year.

2.7 Financial assets

Initial recognition, classification and measurement – (Policy applicable before 1 July 2018)

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the statement of profit or loss.

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified at FVPL where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, held to maturity, available for sale financial assets, statutory deposits and fixed deposits.

For purposes of subsequent measurement, financial assets are classified in three categories

- AFS financial assets
- Loans and receivables
- HTM investments

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in profit or loss. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

They are included in current assets when maturity is within twelve months after the end of the reporting period or non-current assets for maturities greater than twelve months.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR, less impairment.

The EIR amortisation is included in 'Investment income' in profit or loss. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

AFS financial assets include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in OCI in the AFS reserve (equity). Interest earned whilst holding AFS investments is reported as interest income using the Effective Interest Rate. Dividends earned whilst holding AFS investments are recognised in profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognised or determined to be impaired, the cumulative gain or loss is reclassified from AFS reserve to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Initial recognition, classification and measurement (policy applicable from 1 July 2018)

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Premium receivables are recognized and measured under IFRS 4 Insurance Contracts and are outside the scope of IFRS 9.

In order for a debt instrument to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss (FVTPL)

This category has two sub-categories: 'financial assets held for trading and those designated at fair value through profit or loss at inception'. A financial asset is classified into the 'financial assets at fair value through profit or loss category at inception' if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

***Financial assets at fair value through profit or loss (FVTPL)* (Continued)**

Convertible preference shares are classified as at fair value through profit or loss at inception are those that are:

These investments are initially recorded at fair value. Subsequent to initial recognition, they are re-measured at fair value. Changes in fair value are recorded in net gain/ (loss) on financial assets at fair value through profit or loss').

Equity instrument *at fair value through OCI*

Upon initial recognition, the Company elects to classify irrevocably its investment in equity securities as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case such gains are recorded in OCI. Equity instrument at FVOCI are not subject to impairment.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Policy applicable before 1 July 2018

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

Policy applicable before 1 July 2018 (Continued)

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as investment income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale investments

For AFS financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

Policy applicable from 1 July 2018

Overview of the ECL principles

As described in Note 2.2, the adoption of IFRS 9 has fundamentally changed the Company's debt instrument loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 July 2018, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 5.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process the Company groups its loans and other debt instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When exposures are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 instruments also include facilities where the credit risk has improved and the instrument has been reclassified from Stage 2.
- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 instruments also include facilities, where the credit risk has improved and the instrument has been reclassified from Stage 3.
- Stage 3: debt instruments considered credit-impaired. The Company records an allowance for the LTECLs.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The ECL on financial assets at amortised cost has been calculated using the PD times the LGD times the EAD. The PD was determined using the provision matrix for converting the credit rating of the country into a PD. The Company has used the Basel rate for the LGD. The portfolio of financial assets at amortised cost comprise of investment grade bonds and deposits issued by reputable financial institutions. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets **(Continued)**

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Significant accounting estimates

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Wrong estimation of the Probability of Default and Loss Given Default can impact the Company's assessment of ECL. The Company is using reliable sources, such as Standards & Poor and Moody's transitional matrix and Basel to determine the PD and the LGD respectively. The Company will continue to rely on these sources as the portfolio of financial assets at amortised cost comprise mainly of investment grade assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial liabilities

The adoption of IFRS 9 has not materially impacted the initial recognition, classification and measurement of financial liabilities.

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or at amortised cost. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in case of amortised cost, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts and amount due to holding company.

Subsequent measurement

Financial Liabilities at amortised cost.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.10 Fair value measurement

The Company measures financial assets at fair value through OCI and FVTPL at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 4.6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Fair value measurement (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement by the Company. Management considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company’s investment committee determines the policies and procedures for both recurring fair value measurement such as available for sale financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder. Interim dividends are deducted from equity when they are approved.

Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

2.13 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Company operates and generates taxable income. The income tax is recognised as a charge in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable and there are convincing evidence that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Taxation (Continued)

Deferred income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and deferred income tax liabilities are offset only where both criteria below are met:

(a) has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within the profit or loss and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for where the Company has a tax liability of less than 7.5% of its book profit and pays a dividend. AMT is calculated as the lower of 10% of the dividend declared and 7.5% of book profit.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with maturities less than 3 months from inception date and bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. Bank overdraft is shown in current liabilities in the statement of financial position. Cash and cash equivalents are measured at amortized cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Pension benefit obligations

Defined Contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

Defined Benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Company determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

State plan and Defined Contribution plan

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to profit or loss in the period in which they fall due.

2.16 Revenue recognition

(i) Premiums earned

Premium written is accounted for policies incepting in the financial year. Provision for unearned premium has been made and represents the proportion of premium written in the year, which relates to the unexpired terms of policies in force at the reporting date, calculated on the basis of the 365th method.

(ii) Investment and other income

Investment and income comprises of dividend and interest for the year. Dividend income is accounted when the right for payment is established. Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (continued)

(iii) Commission income

Commission income is accounted for the earned terms of policies in force during the financial year, calculated on the basis of the 365th method. The portion representing the unexpired terms of policies in force at the reporting date has been accounted as deferred acquisition costs payables in note 16 (e) of the financial statements.

2.17 Insurance contracts

Insurance contracts - classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Contracts not considered to be insurance contracts under IFRS are classified as investment contracts. The Company does not issue any investment contracts.

Insurance contracts issued by the Company are short term insurance contracts and are classified under the following classes of business: motor, accident & health, engineering, liability, property, transportation, guarantee and miscellaneous. These contracts provide compensation following damage to or loss of property, goods, equipment, losses and expenses incurred sickness and loss of earnings resulting from the occurrence of the events insured against.

Reinsurance contracts

Reinsurance contracts entered into by the Company are either of proportional or non-proportional type. Under a proportional treaty, the premiums and claims are apportioned between the Company and the reinsurer in agreed proportions.

Proportional reinsurance may be either in the form of a quota share whereby the proportion of each risk reinsured is fixed, or in the form of surplus whereby the Company can retain a part of a risk within a fixed limit, and the reinsurer accepts part of the risk as a multiple of the Company's retention.

Under the non-proportional type of reinsurance, the Company uses the Excess of Loss treaty whereby in consideration for a premium, the reinsurer agrees to pay claims in excess of a specified amount (the retention), up to a specified maximum amount.

The Company reinsures either on a treaty basis, with all risks falling within the treaty terms, conditions and limits being reinsured automatically, or on a facultative basis.

Under facultative reinsurance, risks are offered to the reinsurer on an individual basis and can be accepted or rejected by the reinsurer.

Short-term balances due from reinsurers are classified within accounts receivable and amounts that are dependent on the expected claims and benefits arising under the related reinsurance contracts are classified under reinsurance assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Insurance contracts (Continued)

Reinsurance contracts (Continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Any gains and losses on buying reinsurance contracts are recognised immediately in profit or loss and are not subject to amortisation.

Reinsurance assets are reviewed for impairment. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. If reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in profit or loss.

Claims expenses and outstanding claims provisions

Claims expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to policy holders or third parties.

Outstanding claims provision represents the estimated ultimate cost of settling all claims admitted or intimated but not yet settled at the end of the reporting period, and provisions for claims incurred but not reported (IBNR). The outstanding claim includes related expenses. The Company does not discount its liabilities for unpaid claims.

Significant delays can be expected in the notification and settlement of certain claims, especially in respect of liability class of business, the ultimate cost of which cannot therefore be known with certainty at the end of the reporting period. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure and that the provision is determined using best estimates of claims development patterns, forecast inflation and settlement of claims. Outstanding claims provisions are not discounted and include an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to sell, salvage or subrogate under the terms of the insurance contracts.

Incurred but not reported claims (IBNR)

IBNR calculation is calculated on an actuarial method which consists of the projection of incurred but not reported claims based on the claims reporting delay pattern for the Company over the last ten years.

Salvage and subrogation reimbursements

Salvage is the equitable right of the Company to the residual value of property for which it has paid a total loss. When the Company compensates an insured due to a loss caused by a third party, it is subrogated to the right of the insured to be compensated by that third party.

Estimates of salvage and subrogation are taken into consideration while calculating provisions for outstanding claims. The salvage property and subrogation reimbursements are recognised in other assets when the liabilities are settled. Allowance for salvage is the amount that can reasonably be recovered from the disposal of property whereas the subrogation allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Insurance contracts (Continued)

Deferred acquisition costs

The liability for commissions payable is recognised at the inception date of the insurance contract/endorsement.

Commissions payable and reinsurance commissions receivable relating to unexpired premiums are recognised and released to profit or loss as and when the premiums are earned.

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums written on insurance contracts relating to periods of insurance risks subsequent to the reporting date. It is calculated on the inception basis of the 365th method. The movement on the provision is taken to profit or loss in order for revenue to be recognised over the period of the risk. The provision is derecognized when the contract expires, is discharged or cancelled.

Liability adequacy test

At the end of each reporting period, the Company reviews its unexpired risk and carries out a liability adequacy test for any overall excess of expected claims over unearned premiums using the current best estimates of future cash flows under its contracts after taking into account the investment returns expected to arise on assets backing such liabilities. Any deficiency is immediately recognised in profit or loss and a provision is established in the statement of financial position (the unexpired risk provision).

3. MANAGEMENT OF INSURANCE RISKS

The Company's activities expose it to a variety of insurance risks. A description of the significant risk factors is given below together with the risk management policies applicable.

3.1 Insurance risk

Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The main risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This may occur if the frequency or severity of claims and benefits are greater than estimated.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, accumulation of risk and type of industry covered.

3. MANAGEMENT OF INSURANCE RISKS

3.1 Insurance risk (Continued)

3.1.1 Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant claims result from accident, liability claims awarded by the Court, cyclone, flooding, fire and allied perils and their consequences. Inflation is also a significant factor due to the long period typically required to settle some claims.

The Company's underwriting strategy attempts to ensure that the underwritten risks are well diversified in type, amount of risk and industry. The Company has in place underwriting criteria to ensure that risk accepted are as per acceptance guidelines. Management reviews performance of individual insurance policies and the Company reserves the right to review terms and conditions at renewal or not to renew an insurance.

Reinsurance arrangements under treaties and facultative basis mitigate the severity of claims as risk retained is predetermined.

The Company can impose deductibles and has the right to reject the payment of a fraudulent claim.

Where relevant, the Company may pursue third parties for payment of some or all liabilities (subrogation). Claims development and provisioning levels are closely monitored.

3.1.2 Concentration of insurance risks

The following table discloses the concentration of outstanding claims by class of business, gross and net of reinsurance.

	2019			
Class of Business	No of claims	Gross	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	5,881	317	27,418	(27,101)
Property	112	29,311	22,436	6,875
Transport	33	46,464	45,939	525
Engineering	29	12,772	12,171	601
Accident & Health	34,390	60,011	44,663	15,348
Liability	737	54,374	56,116	(1,742)
Miscellaneous	187	8,011	6,904	1,107
Incurred but not Reported (IBNR)	-	49,451	-	49,451
	41,369	260,711	215,647	45,064
Incurred but not Reported (IBNR)		174,136	124,685	49,451

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.2 Concentration of insurance risk (Continued)

	2018			
Class of Business	No of claims	Gross	Reinsurance of liabilities	Net
		Rs'000	Rs'000	Rs'000
Motor	5,240	43,175	39,879	3,296
Property	109	40,056	41,033	(977)
Transport	5	147,288	147,263	25
Engineering	35	6,578	5,511	1,067
Accident & Health	21,339	54,454	39,463	14,991
Liability	787	56,540	59,812	(3,272)
Miscellaneous	193	5,539	4,704	835
Incurred but not Reported (IBNR)	-	40,729	-	40,729
	27,708	394,359	337,665	56,694
Incurred but not Reported (IBNR)		57,714	16,985	40,729

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The net amounts recoverable represent balances due from third parties and excess of loss reinsurers for which the corresponding claims have already been paid out by the Company.

3.1.3 Sources of uncertainty

Most claims on short term insurance contracts are payable on a claims-occurrence basis. Under claims occurrence basis, the Company is liable for insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims may be settled over a long period of time and a significant element of the claims provision relates to incurred but not reported claims (IBNR).

The estimated costs of claims include direct expenses to be incurred in settling claims, net of subrogation and salvage recoveries. The Company ensures that claims provisions are determined using the best information available of claims settlement patterns, court awards and forecast inflation. However, given the uncertainty in determining claims provisions, it is likely that the final claim settlement will differ from the original liability estimate.

The Company has ensured that liabilities as stated in the statement of financial position are adequate.

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.3 Sources of uncertainty (Continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims.

2019

	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
		Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Average claim cost	10%	**21,126**	**21,565**	**(439)**	**(364)**

2018

	Change in assumptions	Impact on gross liabilities	Impact on reinsurance share of liabilities	Impact on profit before tax	Impact on equity
		Rs'000	Rs'000	Rs'000	Rs'000
Average claim cost	10%	35,363	33,767	1,597	1,325

3.1.4 Claims development table

The table below illustrates how the estimates of total claims outstanding for each year have changed at successive year-ends and reconciles the cumulative claims to the amount appearing in the statement of financial position.

Financial year of Loss

	Prior	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**	**Total**
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**	**Rs'000**
At end of loss year	-	90,666	145,249	133,442	120,076	90,867	114,745	126,789	122,660	159,841	183,423	199,785	232,760	267,861	1,988,164
One year later	-	18,801	26,912	31,722	14,906	10,135	6,090	3,600	7,033	18,112	23,856	23,559	30,966		215,692
Two years later	-	(787)	(2,143)	584	211	3,095	535	2,962	(1,626)	(1,835)	(3,938)	(7,470)			(10,412)
Three years later	-	872	(1,658)	2,287	5,832	439	(2,076)	5,224	1,511	(628)	(2,535)				9,268
Four years later	-	765	(1,379)	(1,164)	4,809	3,327	1,136	5,828	(656)	(227)					12,439
Five years later	-	1,457	615	2,598	169	2,399	574	1,036	1,114						9,962
Six years later	-	(187)	1,573	441	2,362	56	1,838	6,865							12,948
Seven years later	-	641	549	2,171	(161)	834	153								4,187
Eight years later	-	(642)	197	261	(1,306)	269									(1,221)
Nine years later	-	(77)	(1,158)	3,266	189										2,220
Ten years later	-	434	623	114											1,171
Eleven years later	-	13	465												478
Twelve years later	-	(92)													(92)
Current claims paid to date	**-**	111,864	169,845	175,722	147,087	111,421	122,995	152,304	130,036	175,263	200,806	215,874	263,726	**267,861**	**2,244,804**
IBNR				915	(381)	(560)	(572)	213	(2,088)	(3,108)	242	959	13,087	40,744	49,451
Outstanding reported	279	20	237	2,030	876	2,451	3,823	(26,194)	3,749	2,831	(1,287)	(6,905)	(19,380)	33,083	(4,387)
Net liability	**279**	20	237	2,945	495	1,891	3,251	(25,981)	1,661	(277)	(1,045)	(5,946)	(6,293)	**73,827**	**45,064**

3. MANAGEMENT OF INSURANCE RISKS (CONTINUED)

3.1 Insurance risk (Continued)

3.1.5 Reinsurance strategy

Reinsurance purchases are reviewed annually to verify that the levels of protection being bought reflect any developments in exposure and risk appetite of the Company. The Company is exposed to risks of default by reinsurers in respect of their share of reinsurance liabilities and there may be disputes in contract wordings, especially on facultative reinsurance placements. To minimise the reinsurance credit exposure, reinsurance is placed with top-rated and/or credit-worthy Reinsurers who meet the Company's counterparty security requirements and the Company regularly monitors its exposure.

4. FINANCIAL RISK

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Company's financial performance.

The main risks to which the Company is exposed are as follows:

- Market risk (which includes foreign exchange risk, interest rate risk and equity price risk);

- Credit and liquidity risks.

4.1 Market risk

4.1.1 Foreign currency risk

The Company's financial assets, which are exposed to foreign currency risks, consist mainly of deposits, insurance and other receivables. Conversely, the Company's financial liabilities are denominated in the local currency (MUR) and are thus not exposed to foreign exchange risk. Management monitors the Company's currency position on a regular basis. The carrying amount of the Company's foreign currency denominated financial assets at the reporting date is as follows:

Concentration of assets under:

Financial assets	2019	2018
	Rs'000	Rs'000
MUR	1,517,384	1,439,820
USD	126,768	108,776
GBP	62	63
EUR	1,506	533
AUD	582	603
	1,646,302	1,549,795

Financial liabilities	2019	2018
	Rs'000	Rs'000
MUR	219,619	114,739

4. FINANCIAL RISK (CONTINUED)

4.1 Market risk (Continued)

4.1.1 Foreign currency risk (Continued)

Consequently the Company is exposed to risks that the exchange rate relative to these currencies may change in a manner, which has an effect on the reported value of that portion of the Company's net assets which is denominated in currencies other than the Mauritian Rupee. The following table details the Company's sensitivity to a 5% increase/decrease of USD, GBP, EUR and AUD against Mauritian rupee.

	Changes in variables	2019 Impact on profit before tax	2019 Impact on equity	2018 Impact on profit before tax	2018 Impact on equity
		Rs' 000	Rs' 000	Rs' 000	Rs' 000
USD	+5%	6,338	5,261	5,439	4,514
	-5%	(6,338)	(5,261)	(5,439)	(4,514)
GBP	+5%	3	3	3	3
	-5%	(3)	(3)	(3)	(3)
EUR	+5%	75	63	22	22
	-5%	(75)	(63)	(22)	(22)
AUD	+5%	29	24	25	25
	-5%	(29)	(24)	(25)	(25)

4.1.2 Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or the future cash flows related to financial instruments will change due to a change in interest rates.The Company is exposed to interest rate fluctuations on the international and domestic markets. The Company monitors closely interest rate trends and related impact on investment income for performance evaluation and better management.

The interest rate risk arises on loans receivable, Mauritius Government securities, fixed deposits, cash and cash equivalents, bank overdrafts and short term deposits.

The interest rate profile of the Company at 30 June 2019 and 2018 was:

	2019	2018
	% per annum	% per annum
Government bonds	3.25 - 9.25	3.25 - 9.25
Treasury notes	2.90 - 4.15	2.90 - 4.25
Treasury Bills	3.18 - 3.44	3.42 - 3.63
Corporate bonds - Floating	repo + 1.35	repo + 1.35
Corporate bonds - Fixed	6.00	6.00
Fixed deposits - Local:		
Non-current	n/a	n/a
Current	3.60	4.80-7.00

4. FINANCIAL RISKS (CONTINUED)

4.1 Market risk (Continued)

4.1.2 Interest rate risk (Continued)

	2019	2018
	% per annum	% per annum
Fixed deposits - Foreign - USD	3.00 - 3.25	2.50 - 3.00
Floating deposits - Local		
Non-current	n/a	n/a
Current	n/a	Savings + (3.00 - 3.20)
Foreign currency call deposits:		
USD	0.00 - 0.10	0.00 - 0.10
GBP	0.10	0.10
EUR	0.01	1.01
Local Call Deposits		
MUR	0.60 - 2.20	0.60 - 1.90

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity.

	2019		2018	
Changes in interest rate	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
+ 50 basis points	14	14	41	41
- 50 basis points	(14)	(14)	(41)	(41)

The increase or decrease in the interest rate sensitivity is due to fluctuations in the interest rates of local and foreign currency call deposits and local floating corporate bonds at 30 June 2019 as compared to 30 June 2018.

The interest rate sensitivity analysis excludes:-

Government securities, corporate bonds and foreign currency term deposits which have fixed interest rates and thus will not be affected by fluctuations in the level of interest rates.

4. FINANCIAL RISKS (CONTINUED)

4.1 Market risk (Continued)

4.1.3 Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company's price policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each industry sector and markets.The Company has invested in securities quoted on the Stock Exchange of Mauritius as illustrated below:

	2019	2018
	Rs'000	Rs'000
Bonds	25,581	25,252
Equities	36,771	39,772
	62,352	65,024

The following table details the Company's sensitivity to a 5 % increase/decrease in the prices of the quoted shares.

	2019	2018
Changes in share price	Impact on equity	Impact on equity
	Rs' 000	Rs' 000
+5%	3,118	3,251
-5%	(3,118)	(3,251)

4.2 Credit risk

Credit risks is a risk that a counterparty will be unable to pay an amount in full when due. The Company's credit risk is primarily attributable to its reinsurance assets, loan receivables, insurance and other receivables and investment in debt securities. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

The Credit Control department assesses the creditworthiness of brokers, agents and of contract holders based on details of recent payment history, past experience and by taking into account their financial position. The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers and has policies in place to ensure that risks are ceded to top-rated and credit-worthy reinsurers only. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company also has exposure to credit risk on its securities. The Investment Committee assesses the credit quality of the issuers based on past experience the Company had with those issuers. The Investment Committee recommends investment in entities with which the Company had good experience with in the past years and with good standing. The financial performance and position of the issuers are assessed in detail prior to approval is obtained for investment by the Company. The table shows the maximum exposure to credit risk for the components of the financial position.

4. FINANCIAL RISKS (CONTINUED)

4.2 Credit risk (Continued)

Financial assets	2019	2018
	Rs'000	Rs'000
Held-to-maturity investments	-	527,336
Available-for-sale investments*	-	25,252
Financial assets at amortised cost*	718,047	-
Financial Assets at FVTPL	66	-
Statutory deposits	-	7,942
Fixed deposits	-	126,357
Loan receivables	12,173	12,213
Insurance and other receivables**	348,967	203,751
Reinsurance assets	462,076	537,639
Short-term deposits	-	19,992
Cash and bank balances	68,446	49,541
	1,609,775	1,510,023

* Excludes equity instruments.

**Excludes sundry deposits and deferred expenses

4.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial assets.

The Company is exposed to daily payments of benefits to clients and to repayment of financial liabilities.

The Company's liquidity position is monitored on a regular basis. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching profiles of financial assets.

The table below summarises the Company's trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	Not Stated	1 to 3 months	3 months to 1 year	On demand	Total
At 30 June 2019	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial liabilities					
Insurance contract liabil	260,711	-	-	-	260,711
Trade and other payable	-	9,219	25,128	185,272	219,619
Bank overdraft	-	7,870	-	-	7,870
Dividend payable	-	-	37,011	-	37,011
Total liabilities	260,711	17,089	62,139	185,272	525,211
At 30 June 2018					
Financial liabilities					
Insurance contract liabil	394,359	-	-	-	394,359
Trade and other payable	-	15,481	4,152	95,106	114,739
Dividend payable	-	-	25,788	-	25,788
Total liabilities	394,359	15,481	29,940	95,106	534,886

* Insurance contract liabilities exclude unearned premium.

** Excludes sundry deposits.

4. FINANCIAL RISKS (CONTINUED)

4.4 Reinsurers' default

The Company is exposed to the possibility of default by its reinsurers for their share of insurance liabilities and refunds in respect of claims already paid. Management monitors the financial strength of its reinsurers.

4.5 Capital risk management

The Company's objectives when managing capital are :

- To comply with the mimimum capital requirements of the Insurance Act 2005 and the Insurance Rules and Regulation 2007;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its policyholders;
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk and also be solvent.

The Company manages the miminum capital requirement as follows:

Different targets level are set above the statutory requirements, providing a buffer inorder to remain solvent at all times and this is monitored on a quarterly basis. Capital planning is done to ensure we minimise the risk of being below the mimimum required and these calculations are done under different stress test scenarios using parameters in different areas of risks such as equity risk, interest rate risk, credit risk, business risk and currency risk. Reinsurance is used to reduce the volality of our results, thus reducing our capital needs. This risk is further reduced by using rated reinsurers in our panel.

The operations of the Company is also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g capital adequacy) to minimise the risk of default and insolvency to meet unforeseen liabilities. In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Act.

For the year ended 30 June 2019, the Company has satisfied the minimum capital requirement of 150% which is as per the Insurance (General Insurance Business Solvency) Rules 2007 made by the Financial Services Commission under section 23 and 130 of the Insurance Act 2005.

4.6 Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

4. FINANCIAL RISKS (CONTINUED)

4.6 Fair value measurements (Continued)

	2019			
Financial assets at FVOCI	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Quoted Equities	36,513	-	-	36,513
Unquoted Equities			15	15
Quoted Bonds		-	-	-
Total	36,513	-	15	36,528
Financial assets at FVTPL				
Quoted Equities	66	-	-	66
Unquoted Equities			-	-
Quoted Bonds		-	-	-
Total	66	-	-	66

	2018			
Available-for-sale financial assets	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Quoted Equities	39,758	-	-	39,758
Unquoted Equities			-	-
Quoted Bonds	25,252	-	-	25,252
Total	65,010	-	-	65,010

Upon adoption of IFRS 9, quoted bonds are measured at amortised cost and disclosed under note 9(e) of the financial statements.

Fair value of the Company's assets that are not measured at fair value on a recurring basis (but fair value disclosures are required).

4. FINANCIAL RISKS (CONTINUED)

4.6 Fair value measurements (Continued)

	Fair value hierarchy - 2019 & 2018	Valuation approach	Observable input	Carrying amount 2019	Carrying amount 2018	Fair Value 2019	Fair Value 2018
				Rs	Rs	Rs	Rs
Loans and receivables:							
Other loans	Level 2	DCF	Floating market rate	12,173	12,213	12,173	12,213
Other financial assets:							
Government and other bonds	Level 2	YTM	Government bond yields	676,958	527,336	722,435	557,327
Term deposits				41,089	146,349	41,089	146,349
Financial assets at amortised cost				730,220	685,898	775,697	715,889

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Valuation of insurance contract liabilities

The uncertainty inherent in the financial statements of the Company arises mainly in respect of insurance liabilities, which include outstanding claims provision (including IBNR). In addition to the inherent uncertainty when estimating liabilities, there is also uncertainty as regards the eventual outcome of claims. As a result, the Company applies estimation techniques to determine the appropriate provisions.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Valuation of insurance contract liabilities (Continued)

These estimates are described below:

The estimation of ultimate liability arising from the claims made under insurance contracts is one of the Company's most critical accounting estimates. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the significant part of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain –Ladder and Cape Cod. For each class of business, the decision to use a chain ladder and Cape Cod approach was made based on the observed claims development to date. A rule of thumb was applied: for loss years where observed claims development was less than 75% the Cape Cod method was used on the basis that the observed claims are not felt to be credible enough on their own to form the basis of an estimate; for loss years where observed claims development was more than 75% the Chain-Ladder method was used.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. General insurance loss reserves require significant judgment relating to factors and assumptions such as inflation, claims development patterns and regulatory changes.

Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modeled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

The Company adopts multiple techniques to estimate the required level of provisions, thereby setting a range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and risks involved.

Recoverable amount on insurance and other receivables

In preparing those financial statements, the directors have made estimates of the recoverable amounts of insurance and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty.

Reinsurance

The Company is exposed to disputes on, and defects in, contract wordings and the possibility of default of its Reinsurers. The Company monitors the financial strength of their Reinsurers. Allowance will be made in the financial statements for non-recoverability in case of Reinsurer's default.

Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 23.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year. When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

6. PROPERTY AND EQUIPMENT

		Furniture & Fittings	Office Equipment	Computer Equipment	Total
(a)	COST	Rs'000	Rs'000	Rs'000	Rs'000
	At 01 July 2017	1,041	279	3,266	4,586
	Additions	22	12	1,573	1,607
	Scrapped	-	-	(170)	(170)
	At 30 June 2018	1,063	291	4,669	6,023
	Additions	111	113	664	888
	Disposal	-	-	(120)	(120)
	At 30 June 2019	1,174	404	5,213	6,791
	DEPRECIATION				
	At 01 July 2017	318	131	1,910	2,359
	Charge for the year	94	26	542	662
	Scrapped	-	-	(170)	(170)
	At 30 June 2018	412	157	2,282	2,851
	Charge for the year	134	49	779	962
	Disposal			(27)	(27)
	At 30 June 2019	546	206	3,034	3,786
	NET BOOK VALUE				
	At 30 June 2019	628	198	2,179	3,005
	At 30 June 2018	651	134	2,387	3,172

(b) Depreciation charge of Rs 962,000 (2018: Rs. 662,000) has been included in administrative and other expenses.

7. INTANGIBLE ASSETS

		Computer Software	
		2019	2018
(a)	COST	Rs'000	Rs'000
	At 01 July	11,725	10,644
	Additions	1,774	1,081
	At 30 June	13,499	11,725
	AMORTISATION		
	At 01 July	7,185	5,396
	Charge for the year	1,094	1,789
	At 30 June	8,279	7,185
	NET BOOK VALUE		
	At 30 June	5,220	4,540

(b) Amortisation charge of Rs. 1,094,000 (2018: Rs. 1,789,000) has been included in administrative and other expenses.

8. STATUTORY DEPOSITS

In compliance with the Insurance Act 2005, statutory deposits represent investments in Mauritius Government Securities earning interest at the rate of 7.00% per annum and maturing on 16 November 2022. Upon adoption of IFRS 9, the Statutory Deposits have been reclassified to financial assets at amortised cost under note 9(e).

9. FINANCIAL INVESTMENTS

(a) Available-for-sale

	2019	2018
	Rs'000	Rs'000
Quoted		
Debt securities	-	401
Equity securities	-	39,357
	-	39,758
Unquoted		
Debt securities	-	25,252
Equity securities	-	14
	-	25,266
	-	65,024

	2019	2018
Movement in available-for-sale financial assets:	Rs'000	Rs'000
At 1 July	-	72,846
Additions	-	2,522
Disposals	-	(7,142)
Increase in fair value	-	(3,202)
	-	65,024

Available-for-sale financial assets for the Company comprise of listed equities of Rs 39,357,000, unquoted equity securities of Rs 14,000, quoted debt securities of Rs 401,000 and unquoted debt securities of Rs 25,252,000.

(b) Held-to-maturity

	2019	2018
	Rs'000	Rs'000
Government securities	-	527,336
	-	527,336
Analysed between		
Current	-	147,232
Non-current	-	380,104
	-	527,336

Held-to-maturity include Treasury bills, Treasury notes, Government of Mauritius bonds, corporate bonds with interest rates of 2.9% to 12.00% p.a and maturity dates varying between 2019-2023.

9. FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets at fair value through other comprehensive income (FVOCI)

	2019	2018
	Rs'000	Rs'000
Equity securities:		
Quoted	36,513	-
Unquoted	15	-
	36,528	-

The Company has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that they are not held for trading.

The Company has classified all of its quoted debt securities previously classified as available-for-sale as financial assets at amortised cost in Note 9(e) on the basis that they are now held to collect cash flows till maturity. The fair value of these bonds as at 30 June 2019 was Rs. 25,252,816 (2018: Rs. 25,210,448) and the gain on revaluation for the year amounted to Rs.41,368.

During the current financial year, the Company purchased Rs.3,447,000 worth of financial assets through FVOCI and disposed Rs.2,422,000 worth of financial assets through FVOCI with a net fair value loss of Rs.3,870,000 disclosed in the Statement of Comprehensive Income for the year.

In 2019, the Company received dividends of Rs 2,278,000 (2018 : Rs 1,339,000) from its equity investments which was recorded in the income statement as other investment income.

(d) Financial assets at fair value through profit or loss (FVTPL)

	2019	2018
	Rs'000	Rs'000
Investment in convertible debt securities (Quoted)	66	-
	66	-

The company has classified its investment in convertible preference shares as FVTPL.

During the current financial year, the Company disposed Rs.45,000 worth of financial assets through FVTPL with a net fair value loss of Rs.8,000 disclosed in the Statement of Profit or Loss for the year.

(e) Financial assets at amortised cost

	2019	2018
	Rs'000	Rs'000
Government bonds	513,073	-
Treasury bills and treasury notes	138,077	-
Corporate bonds and notes	25,808	-
Term deposits	41,089	-
	718,047	-
Analysed between:		
Current	141,684	-
Non-current	576,363	-
	718,047	-

9. OTHER FINANCIAL ASSETS (CONTINUED)

(e) Financial assets at amortised cost (Continued)

The Company has investments in Government bonds, treasury bills and Treasury notes, corporate bonds and term deposits and are classified as financial assets at amortised cost as these are kept under the business model with the objective to hold these instruments in order to collect contractual cash flows and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. Interest rates on these instrument vary from 2.90% - 12.00% p.a. with maturities varying from 2019 to 2023.

An amount of Rs 8,000,000 (2018: Rs 8,000,000) included in debt instrument at amortised cost represents statutory deposit and pledged with the Financial Services Commission in compliance with the Insurance Act 2005.

The table below shows the credit quality and maximum exposure to credit risk. The amounts presented are gross of impairment allowances.

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Performing high grade	718,594	-	-	718,594
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	-
	718,594	-	-	718,594

An analysis of changes in gross carrying amount and corresponding ECL is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Gross carrying value at 1 July 2018	687,570	-	-	687,570
New assets purchased	351,087	-	-	351,087
Asset derecognised or matured	(322,512)	-	-	(322,512)
Amortisation adjustments	2,449	-	-	2,449
At 30 June 2019	718,594	-	-	718,594

Amortisation adjustments include amortisation of interest income and discounts.

There were no transfer of assets between stages during the year.

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	490	-	-	490
New assets purchased	241	-	-	241
Assets derecognised on maturity	(244)	-	-	(244)
Amortisation adjustment	60	-	-	60
ECL allowance at 30 June 2019	547	-	-	547

9. OTHER FINANCIAL ASSETS (CONTINUED)

(f) Credit quality at 30 June 2018

The table below shows gross balances under IAS 39 at 30 June 2018.

	High grade	Past due but not impaired	Individually impaired	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Government bonds	359,015	-	-	359,015
Treasury bills and treasury notes	176,364	-	-	176,364
Corporate bonds and notes	25,834	-	-	25,834
Term deposits	126,357	-	-	126,357
	687,570	-	-	687,570

g) The Company purchased financial assets worth Rs.354,534,000 (2018: Rs.73,127,000) during the year. Conversely, the Company also received proceeds of Rs.324,976,000 (2018: Rs.105,528,000) on disposal/maturity of financial assets during the year.

10. FIXED DEPOSITS

	2019	2018
	Rs'000	Rs'000
At 01 July	-	126,251
Amortisation	-	106
	-	126,357

The analysis shows the maturity profile of the fixed deposits as follows:

	2019	2018
	Rs'000	Rs'000
Less or equal to one year	-	126,357

Upon adoption of IFRS 9, the fixed deposits of Rs.126,357,000 have been classified as financial assets at amortised cost. Refer to note 9 (e).

11. LOANS AND ADVANCES

	Subordinated loans	Other loans	Total
	Rs'000	Rs'000	Rs'000
At 01 July 2017	10,000	7,366	17,366
Additions	-	6,546	6,546
Repayments	(10,000)	(1,699)	(11,699)
At 30 June 2018	-	12,213	12,213
Additions	-	3,889	3,889
Repayments	-	(3,918)	(3,918)
ECL Provision	-	(11)	(11)
At 30 June 2019	-	12,173	12,173

Analysed as follows:

	Subordinated loans	Other loans	Total
2019			
Non-current	-	12,040	12,040
Current	-	133	133
	-	12,173	12,173

11. LOANS AND ADVANCES (CONTINUED)

	Subordinated loans	Other loans	Total
	Rs'000	Rs'000	Rs'000
2018			
Non-current	-	9,296	9,296
Current	-	2,917	2,917
	-	12,213	12,213

Below is a reconciliation of the ECL allowance between the opening and closing balance:

	Stage 1 Individual	Stage 2 Individual	Stage 3 Individual	Total
	Rs'000	Rs'000	Rs'000	Rs'000
ECL allowance at 1 July 2018	11	-	-	11
New assets purchased	4	-	-	4
Assets derecognised on maturity	(4)	-	-	(4)
ECL allowance at 30 June 2019	11	-	-	11

12. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method at the rate of 17% (2018: 17%).

(a) The movement on the deferred income tax account is as follows:

	2019	2018
	Rs'000	Rs'000
At 01 July	12,820	7,918
Underprovision of deferred tax (note 17 (b))	-	1,064
Credited to profit or loss (note 17(b))	1,166	688
Credited to other comprehensive income	7,880	3,150
At 30 June	21,866	12,820

(b)

	2019	2018
	Rs'000	Rs'000
Deferred tax assets	22,969	13,987
Deferred tax liabilities	(1,103)	(1,167)
	21,866	12,820

There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The amounts are shown in the statement of financial position.

12. DEFERRED TAXATION

(c) Deferred tax assets and liabilities are attributable to the following:

	2019	2018
Deferred tax liabilities	Rs'000	Rs'000
Accelerated tax depreciation	(1,103)	(1,167)

	2019	2018
	Rs'000	Rs'000
Deferred tax assets		
Pension benefit obligations	22,616	13,843
Provision for expected credit loss	95	-
Provision for impairment of insurance receivables	258	144
	22,969	13,987

13. INSURANCE AND OTHER RECEIVABLES

	2019	2018
	Rs'000	Rs'000
Insurance receivables	334,990	185,130
Provision for credit impairment (Note 13(a))	(1,521)	(849)
	333,469	184,281
Amounts due from reinsurers (Note 13(b))	14,139	8,251
Dividend and interest receivables	498	936
Other receivables	23,543	20,122
Amount due from holding company	-	9,423
	371,649	223,013

The carrying amounts of insurance and other receivables approximate their fair values. The other receivables amounting to Rs.23,543,000 includes mainly receivables for insurance contracts which have not yet incepted for which payments are still outstanding.

(a) Movement in provision for credit impairment:

	2019	2018
	Rs'000	Rs'000
At 01 July	849	255
Charge for the year	891	919
Reversal	(219)	-
Write off	-	(325)
At 30 June	1,521	849

The individually impaired premiums mainly relate to policyholders who are in unexpectedly difficult economic situations.

The credit period on premium receivable is determined with regards to the status of clients and amount of premium involved monthly.

13. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

(a) Movement in provision for credit impairment: (continued)

Provision for credit impairment is normally determined by the Company as premium due for more than one year. No interest is charged on the premium. The provision is written off against the receivable when there is objective evidence of default.

Before accepting any new customer, the technical department assesses the credit quality of the customer and defines the terms and credit limits accordingly.

Analysis of the age of insurance receivables is as follows

	2019	2018
	Rs'000	Rs'000
Current	146,487	120,368
Up to 2 mths	114,569	43,938
> 2months < 3 months	8,667	4,462
> 3months < 6 months	58,275	9,464
> 6 months < 1 year	5,471	5,993
> 1 year	-	56
	333,469	184,281

In determining the recoverability of a premium, the Company considers any change in the credit quality of the premium from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, it is believed that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amounts of premium and other receivables are denominated in the following currencies:

	2019	2018
	Rs'000	Rs'000
MUR	260,612	133,029
USD	109,522	89,380
EURO	933	-
AUD	582	603
	371,649	223,012

b) Amounts due from reinsurers include impaired assets of Rs. 9,519,581 (2018: Rs. 5,085,730). The other classes within insurance and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

14. SHORT-TERM DEPOSITS

	2019	2018
	Rs'000	Rs'000
At 01 July	19,992	14,696
Additions	-	5,296
Transfer to cash and cash equivalents	(19,992)	-
	-	19,992

14. SHORT-TERM DEPOSITS (CONTINUED)

Short-term deposits comprised of fixed and call deposits in foreign currency with banks earning interest rates ranging from 0.01% to 7.00% per annum. The fixed deposits had maturity dates within one year from the end of the reporting date. The foreign currency deposits were held in a basket of major currencies traded.

15. NET EARNED PREMIUMS

		2019	2018
		Rs'000	Rs'000
(a)	Gross premiums written	1,053,354	789,020
	Change in unearned premium provision	(84,717)	(10,631)
		968,637	778,389
(b)	Premium ceded to reinsurers	(545,605)	(359,709)
	Change in unearned premium provision - reinsurance part	46,455	(6,972)
		(499,150)	(366,681)
	Net earned premium	469,487	411,708

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS
(a)

	2019	2018
	Rs'000	Rs'000
Gross		
Claims reported	211,260	353,630
Claims incurred but not reported (IBNR)	49,451	40,729
Outstanding claims (note 16(b))	260,711	394,359
Unearned premiums (note 16 (c))	467,030	382,313
Total gross insurance liabilities	727,741	776,672
Recoverable from reinsurers		
Claims reported	215,647	337,665
Unearned premiums	246,429	199,974
Total reinsurers' share of insurance liabilities	462,076	537,639
Net		
Claims reported	(4,387)	15,965
Claims incurred but not reported (IBNR)	49,451	40,729
	45,064	56,694
Unearned premiums	220,601	182,339
Total net insurance liabilities	265,665	239,033

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(b) The movement in insurance liabilities and reinsurance assets is as follows:

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July						
Notified claims	394,359	(337,665)	56,694	289,918	(215,694)	74,224
Increase/(decrease) in liabilities	436,051	(199,478)	236,573	421,801	(205,086)	216,715
Cash paid for claims settled in the year (Note 16(b)(i))	(619,150)	321,496	(297,654)	(358,089)	83,115	(274,974)
	211,260	(215,647)	(4,387)	353,630	(337,665)	15,965
Claims incurred but not reported (IBNR)	49,451	-	49,451	40,729	-	40,729
At 30 June	260,711	(215,647)	45,064	394,359	(337,665)	56,694
Movement in claims outstanding and IBNR	(133,648)	122,018	(11,630)	104,441	(121,971)	(17,530)
Claims incurred but not reported (IBNR)	174,136	(124,685)	49,451	57,714	(16,985)	40,729

b) i) The gross claims paid of Rs.619,150,000 is shown net of third party recoveries of Rs. 130,479,000 (2018: Rs. 110,406,000)

(c) The movement in unearned premiums is as follows:

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 01 July	382,313	(199,974)	182,339	371,682	(206,946)	164,736
Increase/(decrease) during the year	84,717	(46,455)	38,262	10,631	6,972	17,603
At 30 June	467,030	(246,429)	220,601	382,313	(199,974)	182,339

16. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

(d) Deferred acquisition costs receivables

	2019	2018
	Rs'000	Rs'000
At 01 July	16,404	15,269
Movement	5,860	1,135
At 30 June	22,264	16,404

(e) Deferred acquisition costs payables

	2019	2018
	Rs'000	Rs'000
At 01 July	26,164	29,089
Movement	5,734	(2,925)
At 30 June	31,898	26,164

17. TAXATION

Income tax

Income tax is calculated at the rate of 17% (2018: 17%) on the profit for the year as adjusted for income tax purposes.

(a) Statement of financial position

	2019	2018
	Rs'000	Rs'000
At 01 July	2,421	(648)
Income tax charge for the year (note 17(b))	11,313	5,566
CSR(note 17 (b))	26	1,495
Under/(over) provision of income tax	191	(297)
Tax paid during the year	(6,861)	(3,695)
At 30 June	7,090	2,421
Analysed as follows:		
Current tax assets	-	-
Current tax liabilities	7,090	2,421
	7,090	2,421

(b) Statement of profit or loss

	2019	2018
	Rs'000	Rs'000
Current tax expense	11,313	5,566
CSR	26	1,495
Under/(over) provision of income tax	191	(297)
Overprovision of deferred tax (note 12(a))	-	(1,064)
Deferred tax (note 12(a))	(1,166)	(688)
	10,364	5,012

17. TAXATION (CONTINUED)

(c) Tax reconciliation

	2019	2018
	Rs'000	Rs'000
Profit before taxation	59,710	39,396
Tax calculated at 17% (2018: 17%)	10,151	6,697
CSR	26	753
Income not subject to tax	(762)	(1,167)
Expenses not deductible for tax purposes	758	90
Under/(over) provision in previous year	191	(297)
Overprovision for deferred tax assets	-	(1,064)
Tax charge	10,364	5,012

18. TRADE AND OTHER PAYABLES

	2019	2018
	Rs'000	Rs'000
Amounts due to reinsurers	185,273	89,054
Other payables and accruals	78,218	65,654
Amount due to holding company	3,701	-
	267,192	154,708

The above amounts payable are interest free, unsecured and repayable at their stated maturities (note 4.3). The carrying amounts of trade and other payables approximate their fair values.

19. DIVIDEND

A dividend of 75% (2018: 75%) on profit after tax, amounting to Rs. 37,010,891 (Rs. 148.04 per share) in respect of current year was declared and not paid as at June 30, 2019. (2018: Rs. 25,788,288 (Rs. 103.15 per share).

20. STATED CAPITAL

	2019	2018
	Rs'000	Rs'000
Issued and fully paid		
250,000 ordinary shares at No par value each	25,000	25,000

Pursuant to section 8 "Restriction on Composite Insurance Business" of the Insurance Act 2005, the Shareholders of State Insurance Company of Mauritius Ltd, by a resolution dated 13th of April 2010, resolved to incorporate a wholly-owned subsidiary company, SICOM General Insurance Ltd, to transact Short Term Business only. The Company has one class of ordinary no par value shares, which carries a right to vote and a right to dividend.

21. RESERVES

	2019	2018
	Rs'000	Rs'000
Retained earnings (note 21(a))	237,085	225,222
Fair value reserve (note 21(b))	(1,345)	2,640
Actuarial losses (note 21(c))	(91,789)	(53,319)
	143,951	174,543

(a) Retained earnings

	2019	2018
	Rs'000	Rs'000
At 01 July	225,222	216,626
Effect on adoption of IFRS 9	(472)	-
At 01 July (as restated)	224,750	216,626
Profit for the year	49,346	34,384
Dividends (note 19)	(37,011)	(25,788)
At 30 June	237,085	225,222

(b) Fair Value reserve

	2019	2018
	Rs'000	Rs'000
At 01 July	2,640	5,842
Effect on adoption of IFRS 9	(115)	-
At 01 July (as restated)	2,525	5,842
Change in fair value of financial assets at FVOCI	(3,870)	(3,202)
At 30 June	(1,345)	2,640

The fair value reserve represents accumulated gains and losses arising on the revaluation of financial assets at FVOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of. The gains on FVOCI equity investments are not reclassified to profit or loss on derecognition. These are treated as transfers between fair value reserve and retained earnings.

(c) Actuarial losses

	2019	2018
	Rs'000	Rs'000
At 01 July	(53,319)	(37,942)
Remeasurement of post employment benefit obligations (note 23 a(iii))	(46,350)	(18,527)
Income tax relating to components of other comprehensive income (note 12(a))	7,880	3,150
At 30 June	(91,789)	(53,319)

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligation recognised.

22. SUBORDINATED LOAN

All the assets and liabilities of the General Insurance Business of State Insurance Company of Mauritius Ltd, the holding company, were transferred to SICOM General Insurance Ltd on 01 July 2010. The accumulated reserves were converted into share capital and the remaining as subordinated loan which is unsecured and interest free.The loan is considered as quasi-equity. The loan does not carry any obligation to repay cash or another financial asset to the holder.

23. PENSION BENEFIT OBLIGATIONS

(a) Defined benefit plan

(i) The Company operates a defined benefit pension plan. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The assets of the fund are held independently and administered by the State Insurance Company of Mauritius Ltd.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 30 June 2019 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(ii) The amounts recognised in the statement of financial position are as follows:

	2019	2018
	Rs'000	Rs'000
Present value of funded obligations	277,226	223,848
Fair value of plan assets	(144,190)	(142,419)
Liability recognised in the statement of financial position	133,036	81,429

(iii) The movements in the statement of financial position are as follows:

	2019	2018
	Rs'000	Rs'000
At 01 July	81,429	59,794
Profit or loss charge	10,813	9,149
Other comprehensive income charge	46,350	18,527
Contributions paid	(5,556)	(6,041)
At 30 June	133,036	81,429

(iv) The movement in the defined benefit obligations over the year is as follows:

	2019	2018
	Rs'000	Rs'000
At 01 July	223,848	189,386
Current service cost	5,153	5,532
Employee contributions	2,390	2,388
Interest expense	15,887	12,029
Benefits paid	(12,669)	(9,712)
Liability experience loss	8,437	22,664
Liability loss due to change in financial assumption	34,180	1,561
At 30 June	277,226	223,848

23. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) Defined benefit plan (Continued)

(v) The movement in the fair value of plan assets of the year is as follows:

	2019	2018
	Rs'000	Rs'000
At 01 July	142,419	129,592
Interest income	10,227	8,412
Employer contributions	5,556	6,041
Employee contributions	2,390	2,388
Benefits paid	(12,669)	(9,712)
Return on plan assets excluding interest income	(3,733)	5,698
At 30 June	144,190	142,419

(vi) The amounts recognised in profit or loss are as follows:

	2019	2018
	Rs'000	Rs'000
Current service cost	5,153	5,532
Net interest on net defined benefit liabilities	5,660	3,617
Total included in "employee benefit expense" (note 26(a))	10,813	9,149
Actual return on plan assets	4,381	14,110

(vii) The amounts recognised in other comprehensive income are as follows:

	2019	2018
	Rs'000	Rs'000
Return on plan assets below interest income	3,733	(5,698)
Liability experience loss	8,437	22,664
Liability loss due to change in financial assumptions	34,180	1,561
	46,350	18,527

(viii) The fair value of the plan assets at the end of the reporting period for each category are as follows:

	2019	2018
	Rs'000	Rs'000
Equity - local quoted	15,861	22,787
Equity - local unquoted	1,442	1,424
Debt - local quoted	1,442	1,424
Debt - local unquoted	85,072	69,785
Investment Funds	30,280	29,908
Property - local	1,442	1,424
Cash and others	8,651	15,667
Total	144,190	142,419

23. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) Defined benefit plan (Continued)

(ix) Principal actuarial assumptions at end of period:

	2019	2018
	%	%
Discount rate	5.90	7.30
Future long term salary increases	4.20	5.30
Future pension increases	3.20	3.30
Average retirement age (ARA)	65	65
Average life expectancy for:		
-Male at ARA	16.9	16.9
-Female at ARA	19.9	19.9

(x) Sensitivity analysis on defined benefit obligations at end of the reporting date:

	2019		2018	
	Increase	Decrease	Increase	Decrease
	Rs'000	Rs'000	Rs'000	Rs'000
Discount rate (1% movement)	53,172	41,666	41,797	32,952
Salaries assumptions (1% movement)	24,176	20,791	21,699	18,711
Pension assumptions (1% movement)	28,743	24,399	20,324	17,413

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(xi) The defined benefit pension plan exposes the Company to actuarial risks such as investment risk, interest risk, longevity and salary risk.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

23. PENSION BENEFIT OBLIGATIONS (CONTINUED)

(a) Defined benefit plan (Continued)

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

(xii) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xiii) The Company expects to pay Rs. 5,850,000 in contributions to its post-employment benefit plans for the year ending 30 June 2020 (2018: Rs. 8,385,000).

(xiv) The weighted average duration of the defined benefit obligation is 17 years at the end of the reporting period (2018: 18 years).

(b) Defined contribution plan

	2019	2018
	Rs'000	Rs'000
Contribution for the year	665	499

24. INVESTMENT INCOME

	2019	2018
	Rs'000	Rs'000
Interest income using effective interest rate	39,366	38,778
Dividend income	2,278	1,339
	41,644	40,117

25. OTHER INCOME

	2019	2018
	Rs'000	Rs'000
Profit on disposal of available-for-sale financial assets	-	5,286
Policy fees	4,560	4,719
Exchange gains	1,193	999
Others	220	55
	5,973	11,059

The exchange gains arise mainly on deposits, insurance and other receivables. The others relate mainly to stale cheques credited back and miscellaneous receipts.

25 (a) REVENUE FROM CONTRACT WITH CUSTOMERS

	2019	2018
Breakdown of revenue from contract with customers	Rs'000	Rs'000
Management fee income	409	390

Revenue from management services are recognised over time.

26. ADMINISTRATIVE AND OTHER EXPENSES

	2019	2018
	Rs'000	Rs'000
Employees benefit expense (note 26(a))	94,149	90,894
Support service cost (note 26(b))	31,949	38,532
Administration fees(note 26 (c))	15,039	10,216
Management fees (note 26 (d))	8,430	8,256
Rental	8,000	7,916
Bank charges	2,115	1,189
Amortisation (note 7)	1,095	1,789
Advertising	1,717	1,852
Depreciation (note 6)	962	662
Provision for impairment of insurance receivables	672	849
Provision for impairment of reinsurance receivables	4,434	-
Bad debts written off	-	325
Others	11,586	11,807
	180,148	174,287

The others relate mainly to repairs and maintenance, professional charges, directors' fees and stationery.

(a) Employees benefit expense

	2019	2018
	Rs'000	Rs'000
Wages and salaries, including termination benefits	82,222	80,813
Social security costs	449	433
Pension cost - defined benefit plan (note 23(a))	10,813	9,149
Pension cost - defined contribution plan (note 23(b)	665	499
	94,149	90,894

(b) Support service cost

As regards to services required by SICOM General Insurance Ltd in respect of Information Technology, Finance and Investment, Legal and Compliance, Actuarial and General Administration, these are provided by State Insurance Company of Mauritius Ltd and the costs involved are allocated to SICOM General Insurance Ltd.

(c) Administration fees

Administration fees are paid to third-party administrators for the handling of medical insurance claims. It is calculated as 7.5% to 11% of medical gross premiums.

(d) Management fees

Management fees are paid to the holding company for the management of the entity's investment portfolio. It is calculated as 1% of the prevailing market value at the end of each quarter.

27. OPERATING LEASE COMMITMENTS

Company as lessee

Future minimum lease payments under operating leases as at 30 June are as follows:

	2019	2018
	Rs'000	Rs'000
Within one year	8,250	7,310

27. OPERATING LEASE COMMITMENTS (CONTINUED)

The Company leases its offices under non-cancellable leases and the leases are renewable on a yearly basis.

28. MANAGED MEDICAL FUND

The Company accounts exclude the net assets of the Managed Medical Fund amounting to Rs. 1,744,098 (2018: Rs. 2,143,475) as the assets backing this fund do not belong to the Company.

29. CAPITAL COMMITMENTS

Capital expenditure contracted for at reporting date, but not yet incurred is as follows:

	2019	2018
	Rs'000	Rs'000
Computer Software	138	1,765

30. HOLDING COMPANY

The Directors regard the State Insurance Company of Mauritius Ltd, a Company incorporated in Mauritius, as the Holding Company.

31. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

	2019	2018
	Rs'000	Rs'000
(i) Holding Company		
Pension contribution payable	6,220	6,540
Rent payable	7,310	7,310
Other contributions payable	993	1,018
Management fees payable	8,430	8,256
Support charges payable	31,949	38,532
Dividend payable	37,011	25,788
Premium and contribution receivable	7,802	8,060

(ii) Key management personnel (including directors) of the Company

	2019	2018
	Rs'000	Rs'000
Premium receivable	171	167
Loans	(159)	567
Salaries and other short term benefits	14,124	12,000
Post-employment benefits	5,877	3,216

(iii) Key management personnel (including directors) of the Holding Company

	2019	2018
	Rs'000	Rs'000
Premium receivable	775	602
Loans	(159)	567

31. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties

		2019	2018
		Rs'000	Rs'000
(i)	**Holding company**		
	Rent due to holding company	(522)	(522)
	Management fees due to holding company	(727)	(661)
	Amount due (to)/from holding company	(2,187)	10,606
	Capital expenditure and other expenses due to holding company	(265)	(300)
	CSR	-	(1,054)
	Subordinated loan payable	(341,625)	(341,625)
	Dividend payable	(37,011)	(25,788)
	Premium receivable	318	613
(ii)	**Key management personnel (including Directors) of the Company**		
	Premium receivable	77	30
	Loans receivable	-	159
(iii)	**Key management personnel (including directors) of the Holding Company**		
	Premium receivable	203	50

Terms and conditions of transactions with the related parties

The transactions from related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free except for loan granted to key management personnel (including directors) and settlement occur in cash. There have been no guarantees provided or received for any related party receivables and payables. At each financial year, an assessment of provision for impairment is undertaken through examining the financial position of the related party and the market in which the related party operates.

32. CONTINGENCIES

In common practice with insurance industry in general, the Company is subject to litigations arising in the normal course of insurance business.The directors are of the opinion that these litigations will not have a material effect on the financial position or results of the Company as the insurance contract liabilities take into account the claims related to these litigations.

33. EVENTS AFTER THE REPORTING DATE

There have been no material events after the reporting date which would require disclosures in or adjustments to the financial statements for the year ended 30 June 2019.

STATUTORY DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2019

(Pursuant to Section 221 of the Companies Act 2001)

Principal Activities

The Company is mainly engaged in General Insurance business.

Directors

The Directors of SICOM General Insurance Ltd as at 30 June 2019 were as follows:

- Salemohamed M Y (Appointed as Director and Chairman on 31 August 2018 and 11 September 2018 respectively)
- Beejan M (Director and Chairman up to 13 July 2018)
- Ballah R H
- Balluck A
- Bhoojedhur-Obeegadoo K G (Mrs)
- Boodhoo B
- Chaperon J M C G
- Dussoye C
- Koonjoo V K (Appointed on 12 July 2018)
- Leung Lam Hing H Y K (Mrs)

Directors' Service Contracts

One of the Executive Directors has a service contract with the Company without expiry date.

Directors' Emoluments

	2019	2018
	Rs'000	Rs'000
Executive Directors	**7,123**	6,916
Non-Executive Directors	**2,382**	1,753

Audit fees

The fees payable to the auditors, for audit and other services were:

	2019	2018
	Rs'000	Rs'000
Audit fees payable to:		
- Ernst &Young	**694**	661
Fees payable for other services:		
- Ernst &Young	**97**	92

For and on behalf of the Board of Directors

Chairman ....

Director ....

Date: 24 September 2019

SICOM General Insurance Ltd
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